WEATHER DATA APPEAR ON PAGE 20

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PARIS, TUESDAY, OCTOBER 19, 1982

ESTABLISHED 1887

Gemayel Demands **Troop Withdrawal** In Speech to UN

UNITED NATIONS, New York - President Amin Gemayel of Lebanon demanded Monday that all foreign troops leave his country. Addressing the 157-nation General Assembly, he declared that outsiders had converted his country from a baven of peace into an arena of terror.

He also called for a settlement between the Palestinians and the Israelis that would give both full

"I call for the immediate and non-Lebanese forces from Lebanon," he said. "I call upon the world community to help Lebanon regain its real independence and rebuild its economy."

Mr. Gemayel, delivering his speech in English, said: "Compet-ing ideologies in the Arab world, the Palestinian armed and uncontrolled presence in our midst, the recurring Israeli invasions and incursions into our land" contributed to "a continuing state of war in Lebanon since 1975."

"The war claimed the lives of more than 100,000 citizens," he said. "It destroyed cities, towns and villages. It brought foreign troops into our land. It divided our people, and converted Lebanon from a haven for culture and peace into an arena for terror and vio-

"In the name of the Lebanese people, I want to tell you: We have had enough. Enough of bloodshed, enough of destruction, enough of dislocation and despair.

"Each country enjoys internal sovereignty. So should we Each country depends on an effective army to defend its independence. So should we," the president said,

In calling for a settlement be-tween Palestinians and Israelis, he said: "As we wish to live in peace and freedom in our land, so should the Palestinians live in peace and freedom and self-determination in their land, Palestine."

As we cherish our independeoce, we also cherish the hope that Palestinians and Israelis, with the support of the world community,

New Earth Tremor Hits Central Italian Region

United Press International . PERUGIA, Italy - A sharp earth tremor hit the central Italian Umbria region Monday afternoon, the latest and worst in a series of shocks registered in the area since

Saturday.

Police said that many residents of the area ran into the streets in panic. They said they did not im-mediately know if the new shock had caused any injuries.

INSIDE

The rally returned to Wall Street Monday as the Dow Jones industrial average scared past the 1,000 mark to an 18-month high. Page 15.

With just two weeks to go in the campaign, a certain un-certainty prevails in the mid-term U.S. congressional elec-tions. Professionals in both parties project "normal" Re-publican losses in the House and a small net change in the

Sri Lanka, in the past five years, bas dismantled a cumbersome welfare-state bureaucracy, liberalized trade and rolled out the welcome mat for multinational corporations. Tomorrow, its 8.1 million voters express their opin-ions about it all. Page 2.

The news from Hungary is good: Once again, Eastern Europe's most successful farming country will have bumper crops. While Poland, Romania and the Soviet Union struggle with shortages. Hungary's har-Page 4. vest is huge.

Part II of a two-section special report on banking and finance in the Arab world ap-

will reach a settlement that will allow them both to enjoy the fullness

Mr. Gemayel was expected to make the same demands later Monday before the Security Coun-

Alfred Mady, Mr. Gemayel's special adviser, said the president would ask the Security Council for a three-month extension in the stay of the UN peacekeeping force of Americans, French and Italians in southern Lebanon.

Mr. Gemayel, the first Lebanese president to make an official visit to the United States, is scheduled to meet with President Ronald Reagan on Tuesday in Washingreagan on ruesday in Washing-ton, discussing efforts toward get-ting Syrian, Israeli and Palestinian forces out of Lebanon. The United States has been attempting to mediate a withdrawal of those

Syria and Israel have said they are willing to withdraw from Leba-non, but Israel insists that Palestine Liberation Organization guer-rillas still in northern and eastern Lebanon be the first to leave.

and Reconstruction, Mohammed Atallah, accompanied Mr. Gemayel on his trip and were expected to be present at his talks with U.S.

On Wednesday, Mr. Gemayel is scheduled to fly to France for talks with President François Mitter-rand. On Thursday, he is to arrive in Rome for meetings with President Sandro Pertini and a private audience with Pope John Paul II. ■ Peacekeepers in Impasse

Reuters reported Monday from Beirut that the Israeli and Lebaoese armies were in an apparent impasse over who would keep the peace between feuding Christians and Druze Moslems in the Chuf mountains, about 15 kilometers (10 miles) southeast of Beirut.

The Lebanese moved an advance squad of lightly armed commandas into Kfar Matta, center of last week's sociarian tighting, but plans for a full deployment were held up by the continued Israeli presence there.

On Friday, Israel deployed tanks and troop carriers along the sandbagged frontline between the Christian and Druze quarters of Kfar Matta, and in three other mountain villages, to end artillery and machine-gun exchanges. A Lebanese beutenant said the Lebanese Army could not enter the town until Israel pulled out. But an Israeli officer said he had no or-

By Joseph Fitchett

International Herald Tribune

ROME — Prime Minister
Giovanni Spadolini of Italy

warned publicly the other day that

his country would become "ango-vernable" unless the Parliament

cuts both government spending and the red tape that chronically

By this, Mr. Spadolini explained last week in an interview, he meant

that his coalition government -like many others in Western Eu-

rope - had reached a moment of

truth in attempting to adopt aust-erity programs. Economic hard-

ship and increasing social tensions. Mr. Spadolini said, are proving to

he a major test for the brand of

coalition poliocs that previously flourished in Europe's postwar

In its current crisis, Italy, like

West Germany, France and most

northern European countries, has

not found a way to get multiparty

governments to agree on how to

listribute the economic sacrifices

believed needed to revive growth.

While the problem stretches across

Europe, Italy is considered the country with the most unwieldy

prosperity.

delays economie legislacion.



President Amin Gemayel speaking Monday at the UN.

Begin Says Israel Is 'Secure' He Again Rejects Giving Up Occupied Territories

By William E. Farrell

JERUSALEM - Prime Minister Menachem Begin told the Knesset on Monday that "for the first time" a state of security existed on all of Israel's borders with Arab

In a speech formally reconven-ing the parliament, Mr. Begin said that Syrian losses in Lebanon to Israeli forces this summer showed that Syria "learned its lesson."

"It knows that it has no hope of defeating Israel," Mr. Begin said. Jordan does not have the strength and, to the best of our knowledge, does not have the intention to at-

During the Israeli invasion of Lebanon that began June 6. Jor-dan "dispatched numerous cables for fear lest we attack it," Mr. Begin said.
"It was a groundless fear," the prime minister said, "it never en-

organizations in Lebanon." Mr. Begin said that "as a result of the policy of the government,

tered our minds to attack Jordan.

conditions have been created for in implicit rehuffs, which he had the first time for the maintenance of peace between ourselves and our neighbors on all of Israel's

The prime minister said "the prospect of a peace treaty between Israel and Lebanon has been postponed - postpooed but oot abolished." Israel has a peace treaty

with Egypt.

After ticking off the border situation as be saw it, be proclaimed: "If the conditions as presently ere-ated thanks to our policies continue to prevail, we will live in peace, our sword in its sheath."

He also urged the implementation of Israel's plan for administrauve autonomy for the I.3 million Palestinian Arabs living on the Israeli-occupied West Bank of the Jordan River and in the Gaza Strip. Under the plan, which the Egyptians have rejected in favor of one that would create a Palestinian entity, Israel retains security control of the territories while the Arabs administer their day-to-day af-

The prime minister rejected any relinquishing of the territories and,

made earlier, he dismissed the peace plan proposed by President Ronald Reagan as well as one issued at a recent meeting of the Arab League in Fez, Morocco.

The next phase of the Camp David peace process, which led to the treaty between Israel and Egypt. should be resumed, he said. That primarily concerns the autonomy talks. Since the Israeli invasion of Lebanon, Egypt has shown little

nctination to resume them.

Referring in Camp David, Mr.
Begin said we have the right to
expect of all factions concerned,
and particularly of our American friends and allies, full commitment toward the agreement we signed."

He criticized plans, including one espoused by the opposition Labor Party, linking the fate of the occupied territories to Jordan.

"It is our duty to declare that anybndy who supports the grotesque suggestion of the annex-ation of Judea and Samaria with the addition of Gaza to the Hashemite Kingdom of Jordan is an accessory, in fact, to the establisbment of a Palestinian-PLO

by path that this is not the inten-

Labor opposition leader, Shimon Peres, who elaimed the prime min-ister misrepresented the Labor Party plan. In addition, Mr. Peres said that Mr. Begin constantly re-jected ideas and fostered a negative image of Israel abroad by his encouragement of the erection of Israeli settlements in the occupied Arab lands.

He accused Mr. Begin of "miserably handling" the Palestinian issue and said that the prime munister's intransigence was primarily responsible for the stalled autono-

Inquiry Team in Beirut

fsrael Radio said Monday that members of Israel's judicial commission of inquiry into the Sahra and Chatila massacre visited and nearby Israeli Arm, positions.

Cornell, Cambridge Scientists Win \$12 billion of reconstruction for Lebanoo. Honsiog Minister Bahaeddin Beat and the chairman of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Reconstruction Melanustical Resonance of the Council for Development and Resonance of th

By Philip J. Hilts Washington Post Service

WASHINGTON - An American has won the Nobel Prize in physics this year for a mathemati-cal theory explaining the odd changes in the hehavior of matter at high temperature and high pressure, while the chemistry prize was won by a scientist in Britain who developed a method of deciphering the shapes of many biologically important molecules.

Kenneth Geddes Wilson, 46, a physicist at Cornell University, took the physics prize, and Aaron King, 56, a South African who has worked for 20 years at the Medical Research Council at Cambridge University's molecular laboratory, took the one in chemistry.

Mr. Wilson developed a simplified mathematical theory that allowe physicists to predict the behavior of matter when it reaches "critical points" of temperature or pressure, such as the point at which a liquid turns to a gas, or a magnetic bar loses its magnetism.

Using only two critical numbers about the shape and the one-, two-, or three-dimensional nature of the matter, he was able to calculate curves that describe, for example, bow the density of a bot liquid will fluctuate as its temperature rises toward the critical temperature at which it becomes vapor. Mr. Wilson's mathematical

method is so broad and powerful istry was of a method to figure out

Mr. Spadolini is widely seen as a

country. Still, be is making his

mark, mainly by his dogged efforts to make Italy face up to a changed economic elimate. In practical terms, this means wheeding com-

promises out of the rival political

again every day, cajoling all the different parties into agreeing on each and every measure," an aide

tn the prime minister said, "be-

cause even the simplest change — for example in state-owned indus-

tries' debt - affects so many con-

Last year it took Parliament II

months to vote a national budget.

A titanic battle has just started

with the unions to break Italy's

system of automatic increases in cost-of-living allowances to match

Mr. Spadnlini, 56, a former his-

torian and newspaper editor, ap-parently has the stamina for the

-and feed -inflation.

"The job has to start all over

parties in his coalinon.

transition leader while Italians His reputation for honesty and wait for the Socialists to lead the hard work makes him a popular

inb. Italian cartoonists delight in depicting the portly, soft-spoken rope and in re-establishing West-

oghtrope.

to things as different as the behavior of elementary particles like the quark — oow thought to be the fundamental building blocks of all matter - up to the level of air turbalence around an airplane, and burricanes, to the way metals mix

There were eight or more physicists who contributed background work to the development of the theory, including Michael Fisher of Cornell and Leo Kadanoff of the University of Chicago. But as the Royal Swedish Academy of Sciences said when it announced the award, Mr. Wilson took a different approach and solved the hundred-year-old problem "io a definite and profound way."

The other workers had only bits of an ad hoc theory that did not allow specific predictions to be made but Mr. Wisso came up with a complete theory that allowed prediction and simplified the subject.

The announcement that Mr. Wilson had won the Nobel Prize was almost expected by his family and friends, according to his father, E. Bright Wilson, a retired professor of physical chemistry at Harvard University.

Mr. Wilson himself was not so sure, although he said, "I knew that I was a contender " Aaron Klug's discovery in chem-

Spadolini Making Mark in Embattled, Yet Hopeful, Italy

Doggedly, He Wheedles Compromises in Making Nation Face Up to Economic Troubles

coalition and the worst overall Republican leader as a cherub ern forces in the Middle East.

among tigers, but be has proved to

have an infallible eye for power.

figure on the Italian poliocal

His coalition theoretically com-

mands nearly 60 percent of the Parliament, but government is bound to be difficult because the

coalition extends from Christian Democrats to Socialists, excluding

Italy's problems, like its unwiel-

dy coalition, are also extreme. Mr.

Spadolini has to cope with Europe's highest inflation rate and

fastest growing deficits, plus ter-rorism, scandals and the Malia. Adding to the government's plan-

ning and tax problems, the under-

ground economy now accounts for an estimated nne-quarter of the

Despite these domestic prob-

lems, Italy, under Mr. Spadolini, is

pursuing an assertive pro-Western

foreign policy. Little noticed pub-

licly, Italy played an instrumental role in backing U.S. initiatives on

only the Communists.

gross national product.

to life. It is the shape of biomolecules that determine what they do and bow they do it — for example the hemoglobin molecule that has a "pocket" in which it can capture an oxygen atom to be carried through the bloodstream.

When trying to figure out the shape of important molecules, rescarchers have crystallized them and then passed X-rays through them to study the scatter-pattern of the X-rays. The ricochet pattern gave a clue to the three-dimensionshape of the molecules.

But many molecules resist being crystallized in that way, and so could not have their shape deter-

Mr. Klug opened up a ocw branch of the stody of the shape of molecules by using an electron mi-croscope to take pictures of the intelecules just they lay in a thin. two-dimensional crystal film, and then extracting three-dimensional images of the molecules from that. A picture of a molecule taken through an electron microscope is

only very fuzzy and blurred. But Mr. Klug managed through mathe-matical methods to extract threedimensional pictures of the molecules from the blurred, two-dimen-sional image. "It is like taking a thousand blurred pictures of a face and extracting from them enough information to make one clear image," said Carl Pabo of Johns Hopkins University.

The gradual revival of Italian di-

plomacy reflects the country's

growing industrial power and na-

ornal confidence, commentators say. But, they add, this recent eco-nomic growth — which continued

notil last year - makes the current

stagnation an especially bad shock

tn Italian expectations, and the government finds it correspond-

ingly difficult to cut back on offi-

Mr. Spadolini bluntly labels the

situation "an emergency," citing the country's acute problems of re-

cession, corruption, terrorism and the lack of institutional reform.

His government has had some

striking successes, particularly against terrorism. The Red Bri-

gades appear to be effectively infil-

trated, and the Italian authorines

are also arresting major rightist

But government spending, on programs launched in periods of

growth, is now approaching 51

percent of the gross national prod-

uct. A decade ago, the figure was only, 30 percent — a level compa-

rable to the present situation in the

cial largesse.



Kenneth C. Wilson



cians who treated Italy's economic

crisis as, in an aide's words, "criti-cal, but not serious," Mr. Spadnli-ni has tackled the problem of shak-

ing up the social and intellectual

climate in Italy. "He's trying to get

people to recognize that austerity can be a policy option," a diplo-mat said, "an unheard-of new de-

Mr. Spadolini explains that "the

welfare state has attained an exag-gerated status" in most European

countries, except West Germany.

"It entails excessive broadening of government powers," he said.

ness bas been ecboed and support-

ed by President Sandro Pertini. As

a result, Mr. Spadolini has survived in office for 15 months, five

times longer than any previous prime minister in this (talian Par-

His longevity is particularly sur-

prising because be is Italy's first

prime minister from outside the

Christian Democratie Party in modern Italian history. Although

Mr. Spadolini belongs to Italy's

secular parties, whose legitimacy

(Continued on Page 2, Col. 4)

liament

The prime minister's outspoken-

parture in postwar Italy."

fish that sound like submarines. Although no details were disclosed, the new weapon was said to be similar to a charge of high ex-plosive that would be detonated against an intruding submarine's bull to puncture it. The submarine would then begio to flood, not enough to sink but enough to prevent immediate repairs and thus to

A former submarine officer in Washington said that Sweden had some of the crummiest waters in the world" for ships searching for

The problem, be and other spe-cialists said, stems in part from the heavy flow of fresh water into the sea, because so many rivers empty into the Baltie. This produces

A sonar beam searching for a submarine is deflected by the layers, the specialists said, making it almost impossible for it to travel in a straight line or for the sonar option," Mr. Begin said. He uses the biblical terms of Judea and Samaria to refer to the West Bank in support of his claim that the area his torically belongs to the Jews. Mr. Begin was attacked by the

Swedes Will Toughen Measures Against Subs

By Richard Halloran

New York Times Service
WASHINGTON — The Swedish government, angered and em-barrassed by what it believes have been repeated incursions by foreign submarines, has ordered its navy to change tactics and seek to eapture and humiliate future intruders, according to military spe-

The oew rules of engagement are to become effective oext July 1, when a new anti-submarine weapon, being developed in Sweden, will be ready, the specialists said Sunday. The Swedes would like to employ the oew rules oow but lack the weapons, they said.

But the specialists asserted that, even with a new weapon, the Swedish Navy would have to improve its ability to detect and then to locate precisely an intruding submarine and to prevent it from escaping, as they think one and possibly two did carlier this

The specialists said the Swedish Navy was oot well-equipped for anti-submarine operations in seas that clearly favor submarines. The waters there have many layers of differing degrees of temperature and saltiness that distort sonar search beams, as well as metal debris on the bottom that deceives magnetic sensors and schools of

force it to the surface. Once captured, the submarine's

officers and sailors would be publicly embarrassed by the Swedes through widespread publicity and possibly by trials under interna-tional law, according to the specialists, who spoke on the condition that they not be identified. The current rules of engage

ment, which are general orders governing the operations and tac-tics of military forces, instruct Swedish warships to locate intruding submarines and to force them in return to international waters in the Balne Sea, the specialists said.

many layers of water with differing temperatures and saltiness.

was conducted was only 200 feet deep. That meant sonar reams re-verberated off the bottom, in addi-

The specialists said the water in

erator to know the exact location

the area in which the recent search

of a detected submarine.

tion, the bottom was uneven, adding to the confusion. Magnetic sensors were similarly fouled, the specialists said, because the ocean bottom was strewn with wrecks, garbage filled with metal, and other metal objects such as refrigerators. The sensors were un-

able to distinguish a submarine from other metal objects, they Still another complication was sound from fish, which one specialist said "can mimie the sounds of submarines." That would have confused operators of hydro-phones trolling under water. The specialists also said the hunted

submarine might have deployed decoys to balfle the hunters. several other reasons why the Swedes had been tooble to locate the submarine. They said the navy was organized and armed primarily for coastal defense against an amphibious invasion, rather than

for anti-submarine operations. They also said Sweden lacked listening devices and other sensors planted on the bottom of its wa-

In recent years, according to press reports from Sweden, there have been more than 50 sightings of foreign submarines in Swedish waters, most of them believed by officials to have been Soviet.

The most spectacular submarine incident took place a year ago. when a Soviet submarine went aground near a Swedish naval base. The crew was held for 10 days while the Swedish government lodged a strong protest with Moscow.

Izvestia Assails Swedish Media

The Soviet government daily Izvestia criticized the Swedish media Monday for suggesting that a sus-pected submarine near a Swedish naval base was from the Soviet Union, Reuters reported from Moscow.

"The authors of reports suggesting the Soviet Union or other socialist countries are involved in the activities of submarines in the Stockholm waters are acting irresponsibly and provocatively. the newspaper said.

The media, it charged, were trying to whip up an "anti-Soviet psychosis" with the evident aim of weakening support for the peace movement in Sweden and elsewhere in Scandinavia.

Izvestia said there bad been similar reports about submarines in the Norwegian fjords 10 years ago and these had been put about because the military wanted an increase in its budget

The present incident in Sweden

was perhaps a "Swedish variant' of this, the newspaper added.

Mendès Frances Dies; French Former Premier Ended Indochina War



Baron Alain de Rothschild, 72, a banker and a leader of French Jewish community, dies in New York. Page 5.

PARIS - Pierre Mendès France, 75, the postwar French prime min-

ister who ended France's war in Indochina, died Monday, Mr. Mendès France, a lawyer and World War II air force officer with the Free French, became prime minister in 1954 after the

French defeat at Dien Bien Phu in

He was head of government for only seven months and 17 days in 1954. But in that brief period, he ended the war in the Far East that was dividing France as it was later to divide the United States, granted autonomy to Tunisia, won French ratification for the rearmament of West Germany and infused a short-lived spirit of proghansied Fourth Republic.

at the time.

Then, for baving started the retreat from colonialism that other politicians were afraid to take on, Mr. Mendes France was voted out by the National Assembly. As he tried to make a final speech, depu-ties shouted him down, screaming: Bastard, dirty Jew."

Born Jan. 11, 1907, Mr. Mendès France became a lawyer at 21, the youngest lawyer in France at the time, and was trained as an economist. He began his political career in 1932, winning a seat in the Chamber of Deputies as a Radical Socialist. He was 25, the minimum age for election to Parliament. He was one of the youngest cab-

inet members in French history

when he was appointed undersec-

"France is led in a manner I retary of state for the treasury at minister of national economy and

have not known since Clemenage 31 by Prime Minister Léon cean," Sir Winston Churchill said Blum in 1938. He was still a parhamentary deputy at the outbreak of World

War II, but volunteered for the French Air Force. After the Germans broke through the French defenses, Mr. Mendes France followed the government to Bordeaux and later escaped to Morocco with his wife and two sons.

He reported to duty with the air force in Morocco, then a French colony, but was arrested for desertion and returned to occupied France. He was convicted and sent to prison, but managed to escape and eventually made his way to London to join General Charles de Gaulle's Free French Forces, serving as a bomber-navigator.

After the liberation of France.

Mr. Mendès France was named

worked out an austerity plan to start the nation's economic recovery. But his critics argued that the French people would not stand for the austerity measures following five years of occupation. The plan was rejected by de

Gaulle, and soon afterward Mr. Mendes France left the govern-During his term as prime minister, he also presided over the French parliamentary defeat of the European Defense Community -

a proposed integrated European army — and pushed through a compromise solution to allow the re-arming of West Germany.

Mr. Mendes France, who neither drank alcohol nor smoked, was also ridiculed for his campaign to promote milk as a popular drink. This angered drinkers and

the wine lobby and made the

prime minister an easy target for newspaper cartoonists and satirical

An ardent parliamentarian. Mr. Mendes France fell victim to the system he had defended, voted out of office by a jeering Naconal Assembly. The Algerian war had just begun and many deputies feared that he would end the French presence in North Africa as be had in Indochina.

He served nearly four months in 1956 as a minister of state in the cabinet of the Socialist Guy Mollet before resigning.

Mr. Mendès France remained a
member of the National Assembly

and was one of the few deputies who voted against de Gaulle's return to power io 1958. He also campaigned against the new con-stitution for the Fifth Republic, which was tailored to de Gaulle's

insistence on a government with a powerful executive. He criticized de Gaulle consistently. About the only de Gaulle

policies he approved of were de Gaulle's granting of independence to Algeria and to France's other African colonies. His opposition to de Gaulle was

politically unpopular, and he was defeated in his 1958 campaign to retain his assembly seat from Louviers, west of Paris.

lo 1962, he ran unsuccessfully for a seat from Evreux. In 1967, he moved his political base to Grenoble and won a Nadonal Assembly seat from there, only to lose it a year later when de Gaulle dissolved Parliament during the May 1968 student-worker strikes.

Mr. Mendès France continued to write on political and economic



subjects in the small-circulation

monthly magazine Courrier de la Republique, which he published. His last public appearance was on May 21, 1981, during swearingin ceremonies for the Socialist president, François Mitterrand.

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Sri Lanka's Election: A Referendum on the Free Market

Los Angeles Times Service COLOMBO, Sri Lanka — If the Reagan administration were searching for a test of its free market philosophy for Third World development, it would have to look no further than Sn

Lanka. In the past five years, the government has dismantled a cumbersome welfare-state burequeracy, liberalized trade and welcomed multinational corporations to help transform its teaand-coconut economy into a world center for low-cost, hightechnology production on the pattern set by Taiwan, Singa-pore and South Korea.

But in contrast to the more regimented societies of its three economic models, Sri Lanka's experiment is taking place in a free, no-holds-barred democracy, with an active, aware elector-

per capita income is \$265 a year — but it has a literacy rate of 87 percent, more than twice the figure for India.

On Wednesday the country's 8.1 million voters will go to the polls for a presidential election

By Axel Krause

PARIS - Spokesmen for Brit-

ain, France and West Germany

said Monday that their govern-

ments were prepared to explore re-newing talks with the Reagan ad-

ministration over identifying possi-

ble pressure points in future trade relations with the Soviet Union

that might be used as linkage in

But such discussions cannot pro-vide a basis for lifting U.S. sanc-

tions against European firms sup-

plying equipment for the Siberian

pipeline, the officials said.
They said that possible dates or a location for the talks has not em-

The pipeline issue and the em-

bargo is a separate and a commer-

cial matter, but we have agreed on

the need for more consultations on

East-West relations," a British

government spokesman in London

said. The spokesman added that a "get-together" on East-West issues

hy NATO member-nations, in-

cluding at the ministerial level, "is

In Bonn, a government official

said a draft paper on the future of East-West relations had been given

recently to Hans-Dietrich Genseb-

er, the German foreign minister, by George P. Shultz, the U.S. sec-retary of state. But the official said

the draft paper apparently was not intended as a basis for negotiating

a lifting of sanctions involving the

Soviet pipeline.
"Washington seems to be stimu-

not being ruled out

International Herald Tribuni

Allies Ready to Renew

Soviet Talks With U.S.

that many view as a referendum on whether to continue the free-

The incumbent president, Junius R. Jayawardene, 76, is campaigning for a mandate to press forward with his policies and, on the surface at least, it would

national father figure, his economic experiment has all the earmarks of success. Economic growth has doubled. Unemployment, which was 24 percent when he assumed office in 1977, has been nearly halved.

trade has hrought a cornucopia of imported consumer goods and the long lines for rationed commodities have disappeared. Removal of controls on rice prices has given a new incentive io farmers, and for the first time in a century Sri Lanka is on the brink of self-sufficiency in its

No. 1 staple food. A thriving free-trade zone of-fering liberal tax and investment companies that employ nearly 24,000 Sri Lankans and indirectly provide work for twice that

The United States is backing Sri Lanka's development with its highest per capita aid program in Asia, just under \$100 million

crowds in the final days of his nities, not subsidies. I've freed the country economically. Give me a chance to continue my

ate that had come to view these benefits as a birthright.

Corruption, previously pres-ent only on a minor scale, has expanded rapidly. And the torrid pace of development has fueled inflation, which reached

has since receded, but the cumu-

While development has

Although a food stamp program provides some relief to the 50 percent of Sri Lanka's population that subsists on less than \$15 a month, the number of urban poor is said to have in-

society quickly, many Sri Lan-kans believe Mr. Jayawardene has pushed too hard, too fast. At

unless drastic measures are insti-tuted quickly, Sri Lanka could

Many analysts believe that Mr. Jayawardene decided to call the presidential election 16 months early in the hope of winning a mandate for his program before taking steps that will add to the economic pinch.

A major factor in his favor, however, is that his principal opponents are in disarray.

tion, despite being weakened by internal differences and the loss of its leader.

Sirimavo Bandaranaike, 66



Junius R. Jayawardene

But, while neither Mr. Kobbekadowa nor any of the other four challengers appears strong enough to unseat Mr. Jayawardene, Sri Lankans have a habit of voting against the party in power, rejecting it in six of eight previous elections.

"Jayawardene will probably win, but it could be closer than many believe," a political ana-

The ITU normally deals with such technical issues as allocation

that the Algerian resolution, which

was introduced because of objec-

General Assembly.
Secretary of State George P.

Shultz said Saturday that the Unit-

ed States would withdraw from the assembly if Israel were ousted and

would "withhold payments to the

tion said they expected the vote to

be close. A private poll of delega-tions over the weekend indicated

that three or four votes were still

The United States and its allies

Ouite a few Third World nations would not like to be seen publicly

here hope that a secret vote will tip the outcome in their favor. .

voting for Israel's participation, conference sources said. But these

nations would also not like to see the agency wrecked over a political

Some participants said they ex-

dispute, the sources added.

needed to defeat the resolution.

of short-wave frequencies.

NEW DELHI - President Mohammed Ziz ul-Haq of Pakistan will arrive Nov. 1 to meet with Prime Minister Indira Gandhi of India in the first talks by leaders of the two nations in 10 years, officials said Monday. Gen. Zia's one-day visit will be the first official meeting of the two leaders and will focus on improving relations between India and Pakistan, which fought each other in wars in 1948, 1965 and 1971.

Mrs. Gandhi has frequently condemned Pakistan for its military rela-

Gandhi and Zia to Meet in November

WORLD BRIEFS

NEW DELHI - One person was killed and several were injured Mon-

day when police fired on Sikh protesters in the northern city of Amritsar, the Press Trust of India news agency reported.

Thousands of Sikhs campaigning for political autonomy in Punjab state, home of most of India's Sikhs, battled police in Amnisar after

being freed from jail. The protesters set fire to buses, smashed street-

An estimated 25,000 Sikhs have been arrested in protests since Angust

but most were freed Sunday and Monday, converging on Amritsar where

their leaders in the regional Akali Dal, or party, are expected to decide

Indian Police Kill Sikh Protester

lights and damaged shops and cars.

on the next stage of their campaign.

Monship with the United States and its purchase of 40 F-16 warplanes. To counter Pakistan's upgraded arsenal, India signed a recent agreement with France to purchase 40 Mirage-2000 warplanes.

India and Pakistan are trying to agree on a bilateral peace treaty and to open trade and other exchanges. The two leaders met once, informally, in Zimbabwe in 1980 during that nation's independence day celebrations.

Iranian Forces, Kurdish Rebels Clash

LONDON - Fighting was raging between Iranian forces and Kurdish guerrillas in western Iran as Tehran attempted to establish control overthe region, sources on both sides said Monday. Iranian officials and Kurdish leaders both claimed successes, but accounts seemed to indicate that the Iranian forces were slowly advancing toward the border with

The Iranian national news agency IRNA said Revolutionary Guards killed 250 Kurdish rebels over the weekend near the town of Sardasht, a former rebel stronghold 14 miles (22.4 kilometers) from Iraq. It said several Kurdish bases in the mountains near Sardasht had been de-

stroyed and their supply-line to Iraq had been cut.

But Sheikh Ezzadein Hosseini, the spiritual leader of Iranian Kurds, said by telephone from Paris that Kurdish rebels had checked the government advance and had inflicted heavy casualties. He said more than 2,500 Revolutionary Guards had been killed or wounded in the past

The United States provides \$3.2 million a year, or about 7 percent, of the ITU budget. The United States maintains China Eases Travel Curbs for Visitors

BELIING - Foreigners in China no longer need special permits to visit 29 major cities and tourist resorts, officials at the public security hureau say. The rule took effect Monday.

Only a passport with a valid visa is needed for cities including Beijing, Shanghai, Nanking and Guangzhou, and for tourist resorts such as Guilin, Sizhou and Hangzhou. The move will be welcomed by China's growing foreign community, because it cuts down on bureaucratic proce-

Police and foreign affairs officials said the 29 areas could only be reached by rail or air, allowing authorities to control any stops on the way. Travel permits will still be needed to visit other places on the official list of 122 cities and tourist spots that are theoretically open to foreigners. In geographic terms, more than 99 percent of China remains closed to outsiders.

Kohl Sets Thatcher, Reagan Talks

BONN - Chancellor Helmut Kohl is likely to find broad harmony on economic and foreign policy Tuesday when he meets Prime Minister Margaret Thatcher of Britain on his first official visit to London, diplomats said Monday.

Mr. Kohl's brief trip is aimed at underlining the continuity of Bonn's foreign policy under the center-right government that took office two weeks ago, diplomats said. The chancellor's first foreign trip was to Paris, where be pledged his attachment to the French-West German riendship in talks with President François Mitterrand. A government spokesman said that Mr. Kohl will have his first meet-

ing with President Ronald Reagan in Washington on Nov. 15. The spokesman said that Mr. Kohl bas no similar trip to Moscow in view.

Dutch Parties Near Coalition Accord

THE HAGUE - The Christian Democratic and Liberal parties have reached political agreement on a new coalition government backed by 81 of the 150 members of Parliament, a cabinet spokesman said Monday. Scholten, said the negotiators now must agree on the wording of a draft coalition accord. He said the draft probably would be presented to the parties Wednesday, and that the Netherlands could have a new govern-

ment by Oct. 29. Ruud Lubbers, leader of the Christian Democratic Appeal Party, which forms the larger of the two coalition parties, is expected to be named prime minister. The new coalition would be center-right; the center-left government fell in May when coalition members could not agree on a plan to give tax breaks to industry.

Rostow Sees No Early Missile Accord

BRUSSELS — Eugene Rostow, the U.S. arms control and disarmament director, said Monday he did not expect any Soviet initiative until the last moment at the Geneva talks on reducing European-based, medium-range nuclear weapons.

The first weapons of a total of 572 missiles planned for Western Eutope are scheduled to be deployed in Britain and West Germany during the last quarter of 1983 or early 1984. He said NATO should not expect a significant Soviet move until then, although an earlier one would be

Mr. Rostow is visiting the capitals of the five countries due to start siting the U.S. missiles — Britain, West Germany, Italy, Belgium and the Netherlands — if agreement is not reached in Geneva to forgo deployment in return for the dismantling of the Soviet SS-4, SS-5 and SS-20

Jaruzelski Marks Year

pect a compromise, with the con-ference condemning Israel but not Italy's decision to participate also made it possible to dispatch a trilateral force of U.S., French and making a call for its exclusion. Italian troops to Lebanon. "We worry that the force is too passive, that too many things are happening outside our control," Mr. Spa-NSA Spy Activity Cited as 'Threat' Compiled by Our Stuff From Dispatches In Congress Study

WASHINGTON - The National Security Agency, responsible for devising and breaking codes and intercepting electronic messages, has spied regularly on confidential messages by private businesses, according to an unpublished congressional report.

The report by a House subcommittee on government operations cited examples of electronic eavesdropping on businesses and re-ferred to a "commercial monitoring program" conducted by the agency, which it said was appar-

ently very broad in scope.

It said the agency posed "a very significant threat to the privacy of American citizens." NSA had no immediate com-

ment on the report, which was completed in late 1977 but according to congressional sources was deemed too controversial to be made public. A copy was obtained by Reuters from a private source. The report's main author, Robert Fink, said in an interview that he believed its conclusions remain valid today.

registration.

dissolved the independent union, reported continued tension, with

security forces present in strength.

A 20-year-old electrician was

shot and killed in last week's

clashes and workmen were report-

ed still to be repairing damage by

demonstrators in the central

said that the dead worker's funeral

imposed in December.

The report came to light after publication last month of a book on the agency, "The Puzzle Palace," by James Bamford, which said the agency intercepts most commercial communications beamed by satellite to and from the United States.

Jesuits Plan Budapest House

BUDAPEST - The Jesuit order will open a house for meditation and teaching next year in Budapest, the Hungarian press reported Monday. Church sources said this would be the first community of the Society of Jesus in Hungary for

more than 30 years.

As Polish Party Chief WARSAW — General Wojciech
Jaruzelski marked his first year as
Poland's Communist leader on
Monday, still facing an economic when the party elected him leader in place of Stanislaw Kania, a man committed to dialogue with Solidarity who came under strong atand social crisis despite the liqui-dation of his main challenger, the independent trade union Solidar-

tack from Moscow.

Within two months he had staged the military takeover, suspending Solidarity and locking While a call for strikes in several up thousands of its most influen-tial leaders. About 600 of them are

cities on Monday appeared to have gone unheeded, workers said that still interned without trial. there was growing momentum for a stoppage on Nov. 10, the second One Politburo member, Jozef Czyrek, said in a speech last month that the party has regained its guiding role in the state and must anniversary of Solidarity's official now regain the same role in soci-

Attendance was reported back to normal by officials and workers at the buge Huta Warszawa steel plant in Warsaw and the shipyards in Gdansk where they had been Under General Jaruzelski's leadership, dozens of senior party offi-cials have been purged for incom-petence or for being too sympaurged in leaflets 10 strike.
But officials in the southern

thetic to Solidarity.
Since the worker unrest which steelmaking town of Nowa Huta, scene of last week's fiercest street battles after parliament formally

led to the independent union's creation in 1980, membership of the party, which once stood at about 3.5 million, has steadily declined and this process accelerated when martial law was declared.

Party officials decline to give the total membership now, hut Western diplomats estimate it at around 2 million.

square. Police sources in the city Correction would take place Wednesday

A Washington Post dispatch in the International Herald Tribune General Jaruzelski has maintained a hard line against street or of Sept. 8 said - rroneously that the Asian Games will be held next factory protests in support of Soliyear. They will be held Nov. 19 through Dec. 4 this year in New darity or against the martial law he The Soviet-trained soldier had

Jayawardene Seeks Mandate to Continue His Reforms

market experiment or revert to being a welfare state.

seem surprising if he failed to

In addition to his image as a

Wage levels bave risen; freer

incentives has drawn 76 foreign

lating or seeking a basis for a dis-

cussion on these issues, but not much more," the official said.

they were unable to confirm hav-

ing received a draft protocol that

The New York Times reported was distributed to France, West Ger-

many, Britain and Italy as a basis

for opening talks on the pipeline.

In Washington, Larry M.

Speakes, the White House deputy
press secretary, said that the ad-

ministration had not provided the

allies "a draft proposal" for lifting

According to U.S. and Europe-an diplomatic sources, the propos-als could cover further rightening

the terms of export credits to the

Soviet Union, blocking future So-

viet plans for natural gas develop-

ment and expanding restrictions on the transfer of high technology

But beginning even exploratory

talks will be difficult in the current

strained atmosphere, European of-ficials indicated. We are ready to

talk, but not change our posi-tions," a French government

employees of Nuovo Pignone went

on strike briefly Monday to pro-

test the seizure Oct. 8 in the Unit-

ed States of gas turbine compo-nents that had been ordered by the

Italian state engineering company. General Electric, the American

supplier, and Nuovo Pignone bave said that the parts were intended

for a project in Algeria.

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room, the seats are arranged in pairs so you're never

more than one from the aisle, Only six across on our

747's, only eight across on our TriStars.

Meanwhile, in Florence, 4,000

the sanctions.

to the Soviet Union.

Officials also said Monday that

"My record is my platform," Mr. Jayawardene tells the campaign. "I stand for opportu-

work But this development has hrought some onpopular changes and a simmering resentment that analysts believe could cut significantly into his sup-port. An end to free education, free health care and subsidized food for all has upset an elector-

nearly 40 percent last year. It

France Says

Cuba to Free

Dissident Poet

PARIS - Cube has agreed to re-

lease the dissident poet, Armando

Valladares, after being asked to do so by President François Mitter-

rand of France, the French govern-

ment said Monday.

The order for the poet's release

was given by President Fidel Cas-

tro of Cuba, who informed Mr.

Mitterrand's special cultural adviser. Régis Debray, Mr. Debray

is now on an official visit to Cuba.

Officials at the presidential palace here said that Mr. Valladares,

who has been imprisoned since

1960, would arrive in Paris within

a few days. A spokesman said the 44-year-old poet has been jailed since Dec. 27, 1960, for political

Earlier this year, Mr. Mitterrand

wrote to Mr. Castro, then sent en-

roys to plead the poet's case. Mr.

claims of responsibility.

lative effect has had a severe impact on wage earners.

brought new affluence to the fast-expanding professional and business class, benefits to Sri Lanka's poor have been less dramatic.

ed noticeably. In his desire to build a new

first, he sought only low-interest, concessional loans for development, hut when these proved insufficient he turned to high-interest commercial markets. Now. with many key programs still in-complete. Sri Lanka is deep in debt and its foreign exchange reserves severely depleted. Some economists believe that,

face a major economic crisis.

The Sri Lanka Freedom Party, which built much of the country's welfare state while it was in power, still constitutes Mr. Jayawardene's primary opposi-

who was elected in 1960 and dominated her party for two decades, has been barred from taking part in the election. She was stripped of her civil rights in 1980 for abuse of power while prime minister.

Her son, Anura, who broke with her last fall, and her daughter, Chandrika, who remained loyal, have managed only a half-hearted reconciliation behind the Freedom Party nominee, for-



NAIROBI - The United States again threatened Monday to suspend all financial support to the International Telecommunications Union if a resolution excluding Israel from the UN agency is

assed at a meeting here. Michael Gardner, a Washington lawyer who is chief U.S. delegate to the conference, called the Algerian-sponsored resolution illegal, illogical and unreasonable. The res-olution could affect a Middle East peace effort, he said, because it would isolate a key state in the re-gional dispute. support to the 157-member ITU, he said. After five hours of stormy debate on the resolution, the plenary session of the ambassadorial-level conference was adjourned. It was scheduled to resume Tuesday afternoon and a vote on the resolu-

fion was expected later that day. Mr. Gardner said the U.S. delegation would "immediately and permanently leave the conference if the anti-Israel resolution was

tions over Israel's invasion of Lebanon, has no place on the ITU A vote on the resolution would be the first test of strength of anti-Israel sentiment in the United Na-"suspend all, I repeat, all financial tions following a U.S. threat to withdraw from the world body if Israel is expelled from the UN

Spadolini Making His Mark In Embattled, Hopeful Italy

(Continued from Page 1)

was long contested by the Christian Democrats, he was an acceptthe political contributions of Cath-

state envisaged by its founders a century ago.

Passionate interest in Garibaldi

> mestic issues. The result, Mr. Spadolini said, is ar movement is stronger, diplomatie issues such as the new U.S. intermediate nuclear missiles and Middle East policy have been very divisive for coali-

Only after Italy agreed to take NATO's planned new cruise mis-siles was it possible for West Ger-many to consent, a U.S. diplomat said, adding: "It was a surprise to see West Germany waiting for an Italian lead." Italy, under Mr. Spa-dolini, is sucking to the construc-tion schedule for the new missile

Similarly, Mr. Spadolini said, the first thing Ronald Reagan asked me when we met for the first time at the Ottawa economic summit was whether I would send Italian troops to Sinai after Israel's

doini said, hinting that he will press Mr. Reagan to increase the size — and authority — of the

Western contingent.
Mr. Spadolini has emerged, as one diplomat put it, as "the prota-gonist of Italy's attempt to get to grips with itself."

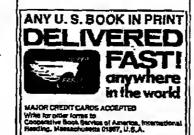
Pope Wants Priests In Rome to Wear Clerical Clothes

VATICAN CITY — Pope John Paul II says the priests of Rome should always wear clerical clothes in public so they can be easily dis-tinguished as priests, according to a letter released Monday.

Cardinal Ugo Poletti of Rome told the priests and religious men in the letter that they are obliged to wear either a cassock or a dark suit with a clerical collar in public. He said the standards are valid even for priests who are not residents of Rome

Cardinal Poletti said he gave the instructions after receiving a letter from the pope last month in which the pontiff expressed disappointment that many priests in Rome were not wearing religious garb.

The pope has often expressed his view that priests and nuns should not dress casually.



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wines. The most caring, attentive service,

Valladares, a former student leader and ally of Mr. Castro, was sen-tenced to 30 years in jail after hreaking with Cuha's Communist United Nations until Israel's right is shared by Mr. Spadolini's main to participate is restored."

The United States contributes able coalition leader because he political rival, the Socialist leader has written sympathetically about Bettino Craxi, who is impatiently 25 percent of the annual UN budregime over ties with Moscow. waiting in the wings to become the olics to modern Italy.

Mr. Spadolini's main historical first leftist to lead Italy.

The Socialists' bid for power Arab and Third World nations interest is Giuseppe Garibaldi, founder of the modern Italian are backing the proposal by Iraq Bombs Explode on Corsica helps explain Italy's vigorous diand Libya to oust Israel from the plomacy. Because the Socialists are assembly. state over the objections of the Three weeks ago the United States withdrew from the UN-affil-AJACCIO, Corsica - Seven anxious to prove their Western Vatican. The world's leading colcredentials, an aide explained, they bombs exploded on Corsica on lection on Garibaldi is housed in Sunday night, causing extensive damage to buildings belonging to the state-run electricity network are statesmanlike on foreign poliisted International Atomic Energy Mr. Spadolini's elegant country home outside Florence. For him, cy issues when the coalition is of-Agency after Israel was denied ten inclined to squabble over do-Rome's current homages to Garicredentials. but injuring no ooe, police said In a telephone interview Sunbaldi, marking the centenary of his Monday. There were no immediate day, Mr. Gardner said that the death, shed ironie light on Italy's difficulties in building the modern that "foreign policy has belped United States and many other nabold this government together." In tions want a secret ballot on the other European countries, where resolution. The ITU convention rvides for secret your Best up front. delegations request it, he said. Sources close to the U.S. delega-

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PAUSE FOR INSPIRATION — The U.S. evangelist Billy Graham stands in front of the statue of Martin Luther in Wittenberg, East Germany. Mr. Graham is scheduled to preach in a number of East German cities during his tour.

Salvador Rebels, Army Mass for New Battles

The Associated Press
SAN SALVADOR — Leftist rebels massed in northeast Morazán province launched a new at-tack Monday on the town of Jocoatique, while the army mobilized 4,000 troops to block them and retake four other towns in the area, military spokesmen said. No further details were reported

in the latest attack, which came after government and rebel sources reported a bull in the fighting Sunday after bloody clashes last week that left at least 270 dead or wounded on both sides. Earlier, the rebels' clandestine

Radio Venceremos said government forces were heading to the north and warned residents of small towns throughout northeast Morazan that heavy fighting would resume soon.

In the oorthern province of. Chalatenango, a major army oper-atioo involving an estimated 5,000 troops reportedly ended without success. Soldiers returning from the area over the weekend said they had lacked enough men to rout the guerrillas.

About 4,000 troops were esti-mated to be involved in the army offensive in Morazán. The government closed the area to reporters, as it often does before its troops attack guerrilla positions.

An army spokesman at San Francisco Gotera, 104 miles (166 kilometers) east of the capital, said the rebels controlled the towns of Perquin, Torola, San Fernando and Tejere, in the province ocar the Honduran border.

Last week's guerrilla drive was the heaviest since March, when the rebels launched attacks throughout the country in a failed effort to dis-rupt the national elections that gave El Salvador its current rightist-dominated government.

An estimated 38,000 people have been killed in El Salvador's civil war. Human rights groups re-port that most of the victims have been civilians caught in cross fires or slain by right-wing death squads

Party's Lack of Economic Plan and Opponents' Wealth May Mean Only 'Normal' Gains

WASHINGTON - With just two weeks to go in the campaign, unlikely. the midterm congressional elections of 1982 have the makings of a landslide that may oever happen. The Democratic Party is

prospering in public opinion polls from economic hard times, with 60 percent of the voters now saying they want to send a Democrat to Congress. But even the party's own leaders doubt that those numbers will translate into sweeping gains in the House or Senate.

By Paul Taylor

and David S. Broder

Washington Post Service

The strength of Republican candidates in many close races, the girth of the party's bankroll and the absence of a compelling Democratic alternative to President Ronald Reagan's economic poli-cies has led professionals in both parties to project "normal" Republican losses in the House and a small net change in the Senate.

They hedge this by saying that the undecided vote remains high in many close contests, as it often does until the eve of a midterm election, and if a decisive trend develops late, it is far more likely to break for the Democrats.

Otherwise, both Charles T. Manatt, chairman of the Demo-cratic National Committee, and Richard Richards, chairman of the Republican National Committee, are predicting a Democratic gain of 12 to 15 seats in the House, a figure in line with the normal gain a party makes two years after los-ing the White House.

A special Washington Post-ABC News poll of 27 nf the most tightly contested congressional races in the country sbows that the Democrats could pick up seven or eight seats in those races alone. Analysts believe the Democrats must do that well in such races to make significant gains nationwide.

A Republican loss of 15 seats in the House would jeopardize Mr. Reagan's working majority of Re-publicans and conservative Democrats. A loss of 25 seats or more could stalemate the administra-tion. At present, the Democrats hold the House majority, 241-192, with two vacancies.

Each party predicts it will gain one to three seats in the Senate, where the Republicans are in control by a 53-46 margin, with one independent who is retiring. The Democrats must defend 21 of the 33 Senate seats up for election this year, creating long odds against recapturing control of the Senate, even in the rosiest of Democratic

Republicans face the likelihood of more severe losses in the major

governorship races, however, and paramilitary groups that allegedly operate with the tacit support that IIS-backed govern-The eight most populous states at the beginning of the campaign

had been to hang onto four to keep their minimal gubernatorial power base going into the 1984 presiden-public jobs for rebuilding roads tial elections, but that now seems

The congressional races across the country present a tableau of opportunities not fully exploited by the Democrats. With unem-ployment over 10 percent and bankruptcies at post-Depression highs, the "out" party should be

looking at a jackpot on Nov. 2.
But the Democrats are not. They blame this on money, while the

Republicans cite message.
"If the Democrats had a program they could sell in a heads-up way, I think we'd be in real trousaid Mr. Richards, the lameduck Republican national chairman. "But they're still running against Herbert Hoover."

Democrats acknowledge they have been short on constructive or captivating themes. "It would be disingentious in deny it," said Bernard Aronson, a top Democratic Naunnal Committee staff aide. He asserted that ideas were in-

By Edward Cowan

New York Times Service
WASHINGTON — To cover So-

cial Security payments to the eld-

erly for November, officials of the Social Security agency say they plan for the first time to let the

old-age trust fund borrow money.

The authority to borrow was granted last year by Congress as a

short-term response to a long-standing financial problem.

Two or three days after Election Day on Nov. 2, \$1 billion to \$2

billion will be borrowed from So-cial Security's disability benefits or

health insurance funds, according

to agency officials. They said the exact amount would not be deter-

mined until the day of the loan. Fur November, 34.6 million

payments are scheduled for old-

age, survivor and disability bene-fits totaling \$13.3 billion, the bulk

nf the money for old-age and survi-

vor benefits paid to those over the age of 65. The health fund pays

hospital bills through Medicare, the health insurance for the elder-

Without a loan, the old-age fund

would not have enough money to cover its \$11.9-billion obligation

for November. Because monthly

benefits have been exceeding reve-

oues from the payroll tax, the old-age fund has had a chronic opera-ting deficit. The cash balance has

been eroded to where it is now less

Congress has known for several

years of the serious financial prob-

than a month's expenditures.

U.S. Plans to Borrow

For Old-Age Payments

U.S. Democrats Lead in Polls, but Expect No Big Sweep

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and bridges, tax streamlining trade fairness. But they lack the clarity and sweep of Mr. Reagan's 1980 appeals to "get the govern-ment off our backs," and they will have a tougher time working their way into the nanonal political dia-

Meanwhile Democratic congressional candidates have been mostly content to attack Reaganomics and leave it at that.

"The campaigns are much more tightly focused on the president's economic policies than I would have expected a few months ago, said Leon Billings, director of the Democratic Senatorial Campaign Committee. "It's a case of the candidates being educated by the vot-

Mr. Billings said he believes that the attacks are just now taking their toll. He cites as evidence that Republican incumbent senators with supposedly safe leads in Indi-ana, Delaware, New Mexico and

lems facing Social Security, but

has shied away from dealing with them. Most legislators see political risk in a remedy that essentially in-

vnlves spending less and taxing

After Congress did nnt act on President Ronald Reagan's 1981

proposals for scaling down future benefits, he set up a bipartisan Na-tional Commission on Social Se-

after Nov. 2.

pears unlikely,

Officials confirmed informally

that the first so-called interfund

loan under authority Congress

granted last December, would be

necessary in November. Other

loans are expected, agency officials

Vermont have in the past week be- ture as many as three Democratic gun attacking their opponents.

These are the tactics of people who've seen data suggesting their position is eroding." Mr. Billings

argued.
The Democrats' list of possible gains in the Senate has lengthened this month. At the beginning of the fall, they were most hopeful of toppling Ortin G. Hatch of Utah, and Harrison H. Schmitt of New Mexico, and taking the open seat in California.

Now they have cooled somewhat on the Hatch race, but believe that their challengers have credible chances in two other states: Missouri, where Harriett Woods, a state senator, has pulled even with Senator John C. Danfurth, according to a poll pub-lished last week by the St. Louis Ginbe-Democrat; and Minnesota. where Mark Dayton, a department store beir, has laid out more than \$4 million of his own money against Senator David H. Duren-

The Democrais also believe that their candidates, although still behind in the polls, are within striking distance of such Republican Senaturs as Rubert T. Stafford in Vermont, John H. Chafee in Rhode Island, William V. Roth Jr. in Delaware, Malcolm Wallop in Wyoming, and Lowell P. Weicker Jr. in Connecticut.

The Republicans, naturally, paint a far different picture as both sides posture to obtain a shower of late money from political action committees. Senator Bob Packwood of Oregon, chairman of the Republican Senatorial Campaign Committee, predicted last week that his party would lose none of its incumbents and cap-

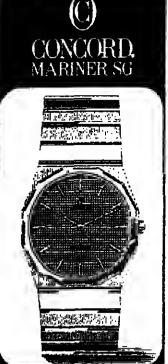
curity Reform. It has said it would not vote on recommendations until The commission is expected to recommend raising the Social Se-curity payroll tax, which is now 6.7 percent with a maximum contribu-tion of \$2,170.80 a year. But Mr. Reagan is "adamantly against in-creasing Social Security taxes," his counselor, Edwin Meese 3d, said TAX-FREE He would not comment on Mr Reagan's views on scaling back fu-ture Social Security benefits, which EXPORT PRICES provide payments for retirement as well as disability. ALL PERFUMES . COSMETICS BAGS • SCARVES • TIES Although both the White House FASHION ACCESSORIES nd Thomas P, O'Neill Jr. of Massachusetts, speaker of the House, have said the postelection session of Congress might deal with Social Scaurity, that oow ap-

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He said that Mayor Pete Wilson nf San Diego has a 10-point lead over Governor Edmund G. Brown Jr., a Democrat, in the Senate race in California, and the Republican challeoger, Larry Williams, has pulled ahead of Senator John Melcher, a Democrat, io Mootana. There also are good chances for Republican gains in Virginia, Nevada, Mississippi and Ohio, he

If the Republicans do suffer some Senate losses, it will not be for want of money. Their three major party committees raised \$161 millioo in the first 18 months of the campaign, as against \$25 million for the Democrats. This money has financed a \$15-million national media campaign urging voters to "stay the course" with Reaganomics, and it will enable the party to funnel large contributions to marginal House and Sen-

In the roughly 80 House races throughnut the country considered marginal, Democratie ehallengers are heavily outspent by Republi-can incumbents, Republican challengers are not nearly as outspent by Democratic incumbents, and the Republicans have the fundraising edge in open seats.



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U.S. Watching Soviet-China Talks For Shift in Big Power Alignment

NEWS ANALYSIS

world's trouble spots - Afghanistan. Asian and American diplo-mats note that even as fighting continues, the Soviet Union has been more forthcoming in recent

UN-sponsored talks oo a possible

Even though prospects for a breakthrough still appear remote, there has been speculation that the change in Chioese-Soviet relations

Afghan settlement

By Richard M. Weintraub

Washington Past Service
WASHINGTON — U.S. diplomats have watched warily for more than two weeks as the first highlevel talks in three years between China and the Soviet Union have continued against a backdrop of suggestions from Beijing that rela-tions with Moscow are about to undergo a thaw.

Any change in ties between China and the Soviet Union would na and the Soviet Union would mark the first major shift in the big power equation since the United States and China put their relations on a normal footing during the 1970s. It would signal increasing problems for U.S. policymakers and a likely continuation of policial strains over the tomblesome litical strains over the troublesome issue of U.S. arms sales to Taiwan. U.S. China-watchers cast the current talks in an all-or-nothing

cootext, rejecting suggestions that Beijing is about to play a "Soviet card" against the United States. They say feints toward Moscow could well be a function of internal political maneuvering among factions in Beijing.
The Americans, however, do not

draw attention to persistent public and private indications from Chinese officials that Beijing is clearly

expecting a change in its relations bassador to Beijing, it now is with Moscow, even if the process is known to have been carefully arranged by a Chinese delegation that visited Moscow earlier in the long and drawn out and stops short of putting Soviet relations on a par with those with the United States. Nor do they point to clear signals of irritation in Beijing with the U.S.-Chinese relationship. Adding to the possibility for change in Chinese-Soviet relations

U.S. China-watchers oote that Beijing began hinting of a change in Chinese-Soviet fortunes as early as last February. These hints were met hy widely publicized calls for normalization of relations from President Leonid I. Brezhnev of the Soviet Union.

The Ilichev talks are taking are developments in another of the

place against the backdrop of the recent Chinese party congress, during which top-level officials made it clear that relations with the Soviet Union were about to be pot on a more equal footing with those of the United States.

At the same time, renewed criti-cism of U.S. policy on Taiwan and trade relations has emerged from ranking Chinese officials.

One such signal came in a

eventually could move beyond the speech two weeks ago by Foreign Minister Huang Hua to the Coun-cil oo Foreign Relations in New Soviet oegotiators reportedly have agreed on an agenda for Af-York. Although speeches before the council are customarily off the record, the Xinhua news agency carried a lengthy account of his reghanistan discussions that includes the three critical areas of Soviet troop withdrawal, return of refugees and external guarantees for Afghan security. They reportedly are showing a greater willingness to discuss the substance of issues.

In the Xinhua account, Mr. Huang began by outlining "favorable cooditions" for U.S.-Chinese relations, but then added: "How-ever, f regret to say that the devel-opment of our bilateral relations is

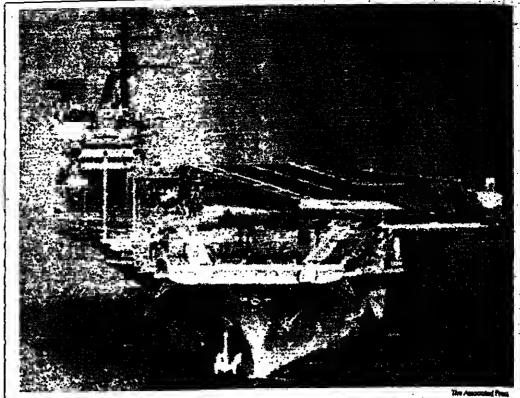
The Chinese have set as criteria for closer relations some major steps by the Kremlin: removal of troops from the troubled Chinese-Soviet border, an end to support for Vietnam's operations in Cambridge and a withdrawal of Swiet not free from obstacles."

Chief among these obstacles according to the Xinhua account. is cootinuing U.S. support for the Nationalist government on

> The account also quoted Mr. Huang as charging the United States with intensifying discrimination against China in trade relations and in scientific and cultural

According to Xinhua, Mr. Huang then asked: "In view of rediscussions after Soviet troops entered Afghanistan in late 1979.

While Mr. Ilichev's visit initially was portrayed by the Chinese as a private trip to see the Soviet amort regard China as a friend or an adversary?"



REFRESHED — The aircraft carrier Saratoga cruises down the Delaware River on its way to trials at sea after a two-year, \$526-million overhaul at the Philadelphia Naval Shipyard.

Harvest on the Danube: A Success For Communism Hungarian-Style

By R.W. Apple Jr.

MOR. Hungary — Day after day, tractors pulling wagons laden with shining silver-green grapes chug along the roads in and around this community of 13,000 in the hills west of Budspest. The harvest is under way at the Mor state farm, and the news here and elsewhere in Hungary is good:

have bumper crops.

While Poland and Romania and the Soviet Union struggle with shortages, Hungary's wheat yield will approach 14 million tons, just shy of the 1980 record, and its vineyards will make possible one of the highest levels of wine production in this country in record. duction in this country in recent

Rich soil, especially in the Danube plain, plays its part, of course, and so do the oative talent and industry of the Hungarian peasant. Also, the bureaucrats in Budapest have avoided some of the mistakes of their colleagues in other Communist countries: Deother Communist countries: De-spite the recession, Hungary kept importing spare parts for farm ma-chinery. This was oot the case in Czechoslovakia, where the wheat harvest was spoiled this fall be-cause the inevitable breakdowns of combines could not be fixed in

But the most important factor in Huogary's continuing agricultural success story, analysts agree, is the variety and flexibility that have been encouraged by the govern-ment of Janos Kadar.
Pal Tressler, an agricultural economist who heads the big Peto-

fi farm cooperative at Dunavarsa-ny, south of Budapest, says that the government has for a quarter of a century "provided a stable po-litical atmosphere in which Huogarian agriculture could flourish." Putting the same idea into hluoter words, he added, "Everyone, including Kadar, keeps his oose out of agriculture."

The health of Hungarian farming is important for two reasons in helping to maintain a much higher standard of living in Hungary than elsewhere in Eastern Europe, Despite adverse price trends, foodstuffs account for about a quarter of total exports, and they earn hard currencies.

The Babolna state farm sells chickens to the Middle East, Mor sells wine in vast quantities to the Swedish alcohol monopoly and Hnngarian salamis show up in shops in New York Paris and

Lines outside food stores, so commoo in Moscow, Bucharest and Warsaw, are unknown in Budapest. Hungarians growhle constantly about high prices, but the grumbling is good-natured, and whatever deprivations they suffer tend to take the form of inaccessible luxuries.

Maria Kovacs, 58, is a typical case. From her pension (Hungarian women retire at 55), from parttime work as a telephone operator and from her two sons and daughter-in-law, who share her apartment, she has a monthly income of

about \$235. She says that "a cou-ple of rolls, a piece of sausage and one or two other things come to 100 forints" — about \$2.65 — "and then you can't afford any more." But the family — Mrs. Ko-vaes is divorced — manages to eat well. The only things it denies it-self on a daily basis are beer, wine

there are 130 state farms such as the one at Mor, where the govern-ment owns the land. But the biggest share of the land — more than 70 percent — is tilled by 1,360 cooperatives, which range in size from 50 in more than 60,000 acres.

At some cooperatives only a minority of the members actually work oo the common land. The rest, under a oew system intro-duced recently, make small items — beer pumps, hatchet handles, plastie dog bones - that big state industries find it uneconomic to

Innovatioo has also come in recent months to the state farms, some of which are considered by Western experts to be notably well-run. At Mor the work oo a 10,000-acre spread that was assem-bled from 314 small farms is door by 790 employees, including 32 academically trained agronomists. They are paid a salary and, if there is a profit, as much as a full month's extra salary at the end of the year.

In addition to wine, which is bottled on the farm, Mor produces wheat and fruit. Up-to-date farm equipment, some of it made in Hungary and some of it imported from Eastern and Western Europe and the United States, makes it possible to do many farm chores with minimum labor. But, until this year, the blackberry harvest presented a difficult problem every fall because it did not easily lead itself to mechanization.

The solution found was to lease the right to pick the berries to a group of employees and sell the fruit back to the state at a prearranged price. After the cost of the lease had been deducted, as well as a fee for the use of state equip-ment, the 125 workers made profits ranging from \$550 to \$1,100 apiece for their efforts.

With the manpower we available," said Zoltan Velez, the burly farm manager, who has just returned from a trip to the Ameri-can Middle West, "it would have taken us a month to harvest the berries. A lot of them would have spoiled. But these people mobil-ized their relatives and friends about 2,000 people in all - and they did the job in three days.

Greek Socialists Take Towns, Falter in Cities

lenic Socialist Movement won a sweeping victory in provincial towns in local elections Sunday hut lost ground in major cities. Cootests for mayor in Athens and the northern city of Salonika will have to be decided by a run-off

next Sunday.
Prime Minister Andreas Papandreou, whose Socialists took office in national elections last October. said Monday that Sunday's voting may be the first time in Greece's modern history that the Greek people have expressed their support for the government in local elections.

Although the campaign was fought ori local issues such as transport, garbage collection, traf-fie problems and industrial pollution, the results were widely regarded as a rating of the Socialist government's performance in its first year of office.

Political observers said the Socialists' overall percentage of the vote appeared to have dropped by comparisoo with last year. They said that Communist support had helped Socialist candidates to victory in many provincial towns.

Socialist supporters said the results showed the people approved of the government's ambitious program for decentralization of authority and increased spending in the provinces. "We're satisfied that an over-

whelming majority of the new mu-nicipal leaders believe in the importance of local self-govern-ment," Interior Minister George Gennimatas said.

With about 90 percent of the vote counted Monday, the Socialists elected mayors in 40 towns that had traditionally voted for conservatives. They won overall victories in 84 cities and small

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cy rarty and the Communists 7. The Interior Ministry said more than 100 cities and towns with a population of more than 5,000 will have run-off elections on Sunday.

Voting in Athens was inconclusive, with Socialist Mayor Dimitri Beis receiving 38.3 percent and Tzannis Tzannetakis, a former conservative minister, 37.9 percent. Communist candidate Vas-silis Efraimides received 18.5 per-cent and a Social Democrat, Virginia Tsouderou, took the rest. Mr. Beis and Mr. Tzannetakis

will face each other in a run-off

Run-off contests between Socialists and New Democracy candidates will also be held next weekend in the northern city of Saloni-

In the Athens port suburb of Piraeus, Aristides Skylitsis, a rightist who was mayor during Greece's military dictatorship, led Yannis Papaspyrou, a Socialist deputy, 42 percent to 36.6 percent.

Yugoslavs Curb Private Exchange Of Foreign Money

BELGRADE — The government announced Monday fines ranging from 5,000 to 20,000 disars (\$100) to \$400) for citizens who try to change hard currency from foreigners outside legal exchange on-

signed in curb a number of currency abuses, including the lea of apartments to foreigners by landlords who demand rent in foreign currency.

It was the latest step in a package of austerity measures intended to pull the national economy out of a serious financial crisis and to help repay a \$19-billion convertihie currency debt, the highest per capita debt in Eastern Europe.

Another austerity provision prompted an urgeot session of the Belgrade City Council and local taxi drivers. The drivers are pro-testing measures that would limit their gasoline ration to 300 liters (78 gallons) a car each month.

Both the currency exchange rules and the gasoline limits could affect the Yugoslav tourist indus-

AUTHORS WANTED BY N.Y. PUBLISHER teading subsidy book publisher seeks made scripts of all types notion, non-holion, made.

THE ART OF RESERVING A ROOM IN NEW YORK bodia and a withdrawal of Soviet forces from Afghanistan, However, diplomats familiar with Chinese thinking say Beijing's positioo is not quite so rigid as it might ap-Xinhua said that if the U.S. is swayed by 'people in the United States who ... still cherish the fond dream of creating 'two Chi-nas, ... the political basis of Chi-They say that progress in one or two of these areas — such as a commitment by Moscow to reach and soft drinks.

A handful of purely private farms still exist in Hungary, and elsewhere in Hungary is good: Once again, Eastern Europe's most successful farming country will nese-U.S. relations would go down a peaceful settlement in Afghanistan and pull out its troops -might open the way for more farthe drain." reaching changes in the Chinese-Soviet relationship.

The Soviet vice foreign minister, Leonid Ilichev, and the Chinese vice foreign minister, Qian Qichen, exchanges, particularly citing re-opened the talks in Beijing two strictions on the export of high weeks ago, the first formal high-level contacts between the two equipment to China. countries since China broke off

Turkish Court Begins Mass Trial of Leftists

ANKARA — The trial began here Monday of 574 alleged militants of the prominent leftist underground organization Dev-Yol (Revolutionary Way), charged with trying to overthrow the state

hy force.
The military prosecutor has demanded death sentences for 186 of the accused and prison terms rang-ing from three to 15 years for the others. They are accused of more than 300 murders and attempted killings, assaults, robberies and arson committed before the 1980

military takeover. Dev-Yol was one of the higgest illegal leftist groups operating be-fore the coup and was held responsible for much of the daily violence of that time. Early last year police said security forces had smashed the organization, capturing more

than 200 members. Monday's bearing was attended by a group of West German law-yers as observers. The trial, which began with an identification check

of the accused, is expected to last

Two similar mass trials began

Afghan Pilot Defects,

Dies in Pakistan Crash

ISLAMABAD, Pakistan - An Afghan Air Force pilot, apparently trying to defect, crash-landed his MiG-17 aircraft just inside Paki-stan on Monday and was killed, the Defense Ministry said.

The aircraft crossed over the border from Soviet-occupied Afghanistan and crashed near a railroad station in Chaman, about 80 miles (130 kilometers) northwest of Quetta, capital of Baluchistan province the ministry said.

last year, one in the eastern city of Erzerum of 540 alleged Dev-Yol militants, the other in fstanbul of more than 400 alleged members of a similar group, Dev-Sol (Revolu-tionary Left).

Police said the two groups were formed in 1975, when a leftist or-ganization called Dev-Gene (Revo-lutiooary Youth) split into Dev-Yol, hased in Ankara, and Dev-Sol, based in Istanbul.

Police believe seven of the men in the Ankara trial have been national leaders of Dev-Yol.

Hazardous Waste Moved Out of Italy

BASEL, Switzerland - About 2.2 tons of chemical waste contain-ing poisonous dioxin released in a factory explosion at Seveso, northern Italy, in 1976 have been moved out of Italy, a Swiss chemical company spokesman said here Mon-

The clean-up was carried out under an agreement between local Italian authorities and the Geneva-based Givaudan company, which owned the factory, according to a ookesman for its parent company.
Hoffmann-La Roche & Co. The factory accident forced several bundred families to leave their homes, some of them permanently, and poliuted about 4,400 acres (1,800 hectares) of land.

An Italian company shifted the chemicals to an unknown dump outside Italy on Sept. 10, the spokesman said. Contaminated equipment at the factory is to be removed later. Most of the waste was sodium chloride contaminated with a relatively small proportion of highly toxic dioxin, he added.

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Bess Truman, 97, Dies; Was President's 'Boss'

By Jean R. Hailey

Washington Post Service
WASHINGTON — Bess Truman, 97, a first lady who stood quietly but strongly behind her husband, President Harry S. Tru-man, during his tumultuous years in the White House, died of congestive heart failure early Mon-day at Research Medical Center in Kansas City, Missouri.

Her long-time physician, Dr. Wallace Graham, said her condition was complicated by a bleeding ulcer, which had caused a recent hospitalization. No family members were present when Mrs. Truman died.

She had lived the longest of any first lady in U.S. history. Edith Wilson, wife of President Woodrow Wilson, died at age 89 in 1961. The oldest living first lady is 70-year-old Pat Nixon.

Since her husband's death on Dec. 26, 1972, Mrs. Truman, who never had enjoyed her place in the limelight in Washington, rarely left her big, white Victorian home in Independence, Missouri. There she had the privacy she had treasured for most of her life.

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After Mr. Truman was elected vice president in 1944, the couple me a top attraction to hostesses seeking to gather major political figures around their tables. Mrs. Truman was considered a friendly, warm-hearted person with a good sense of humor and a tart turn of

When her husband became president at the death of Franklin D. Roosevelt on April 12, 1945, Mrs. Truman had to assume a far more public role. Even more difficult was the fact that she had to step into the shoes of the peripatetic and popular Eleanor Roosevelt.

But, like Mrs. Roosevelt, she had a strong sense of duty and was well aware of the importance of her presence at oumerous social and official affairs. Consequently,

she was constantly on the go.

If Mrs. Truman failed to make public pronouncements on her own, she nevertheless was a

shrewd analyst of people and poli-tics and had a deep influence on her husband. He often referred to her as "The Boss."

Mr. Truman acknowledged that he had consulted his wife on every major decision of his life, including whether to use the atomic bomb on Japan to bring an end to World War II; whether to initiate the Marshall Plan to rebuild a shattered Europe after the war, and whether to fight in Korea during the crisis there in 1950. He stressed, however, that the final decision was always his alone.

Bess Truman was born Eliza-beth Virginia Wallace on Feb. 13, 1885, in the big house in Inde-pendence, which had been hull hy her grandfather. The oldest of four children, she had three brothers.

She was Mr. Truman's first and only girl in a romance that dated back to early childhood and con-tinued until his death. The story is told that Mr. Truman first spotted ther when they were 6 years old at the First Presbyterian Church in Independence. Later, in school, he managed to carry her books, a practice that continued through

In 1917 they became engaged as he was leaving for Army service in World War I. On June 28, 1919, after he had returned from the war, they were married in Trinity Episcopal Church in Independ-

The newlyweds made their home with Mrs. Truman's widowed mother in the house that later became the summer White House.
Their daughter, Margaret, was born in 1924. Margaret, who married E. Clifton Daniel Jr., former associate editor of The New York Times, wrote in her book, "Souvenir" in 1956. nir," in 1956:

"I was presumed to be learning to be a young lady, and my mother, the dearest woman in the world, and also the most forceful, was going to see to it."

The family came to Washingtoo in 1935, after Mr. Truman won a



Bess and Harry Truman visiting Washington in February 1958.

ed to the Senate in 1940 and was elected vice president in 1944. In their five-room apartment Washington, she did all of the work and managed the family finances. Friends liked to tell the story of the day when the new president and his family were to move from their \$125-a-month

apartment to Blair House before taking over the White House. "You mean we're moving out of here?" Mrs. Truman was quoted as saying. "That would be wasteful. Our rent's paid up to the first of the month, and here it's only the

In 1948, Mrs. Truman saw her husband elected to the presidency against great odds. She had oot wanted him to run for the office, had begged him not to. But, final-

ly, she relented and accompanied him on the campaign trail, once explaining to a friend: Harry is so sure he is right, so sure that the people will know be is right, that I hope he wins."

Four years later, the president announced he would not run for re-election. The couple retired to Independence, where Mr. Truman wrote books and helped establish the Truman Library. The Trumans

rarely traveled eway from home.

They came to Washington occasionally and visited their daughter and her family in New York. In 1956, they attended the Democratic National Convention in Chicago, where Mrs. Truman allowed she had a fine time because her husband was not running for any-

who objected to the way she was

depicted in the film. The suit was

John Roberts, 65, who served as

premier of Ontario province from 1961 to 1971, of an apparent sui-cide Monday in Toronto.

Tom McGovern, 66, a Dixieland

jazz pianist of the 1930s and 1940s, Friday after a lengthy illness in St.

settled out of court.

Other deaths:

Whenever you rent a Mrs. Street oever recanted her car from Eurapear, you meet The 1976 NBC movie, "Judge people who obviausly enjay Horton and the Scottsboro Boys. serving you. People who prompted a lawsuit by Mrs. Street,

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Alain de Rothschild, 72, French Banker, Dies

PARIS - Baron Alain de Rothschild, 72, a French banker and a prime leader of the French Jewish Community, died Sunday in New York from a heart seizure, his friends reported Monday.

From 1967 until the middle of this year, Baron de Rothschild was president of the Central Consistory of the French Israelites. He became honorary president in June. He also had been chairman of the Representative Council of Lewish Institutions in France (CRIF) since 1976, and he headed a num-ber of Jewish charities. He was the cousin of Baron Guy de Roth-schild, head of the recently nation-alized Rothschild bank.

Alain de Rothschild, himself a banker from a long family line of bankers, was born Jan. 7, 1910, in Paris, the son of Baron Robert de Rothschild. He was educated at one of France's most renowned preparatory schools, the Lycee Louis-le-Grand in Paris, and at the Paris law faculty. He held degrees in law and political science.

Baron de Rothschild joined the military at the outset of World War II and spent most of the war as a prisoner in Germany, being repatriated only at the close of

hostilities. He received the Croix de Guerre and later became an officer of the French Legion of Hon-

After the war Baron de Rothschild joined the family banking business. He had been a vice president of the Rothschild bank since 1968. He was president from 1963 to 1967 of the Société d'Investissement du Nord, president of the Compagnie du Nord from 1968 to 1978, and a high officer of numer-ous other banking and investment firms. He was the mayor of Chamant, the village where he maintained an estate, since 1959.

As a leader of French Jews, who according to the CRIF oumber from 650,000 to 700,000, Baron de Rothschild was a key figure in integrating Jews expelled from newly independent North African countries into French life.

Victoria Price Street

HUNTSVILLE, Alabama (AP) - Victoria Price Street, 77, who alleged she was raped by a group of young hlacks on a train in the "Scottsboro Boys" case of the 1930s, died here Sunday. The She had been a resident of Fay-

etteville, Tennessee, during the last years of her life. The Scottsboro Boys case drew

international attention after nine young blacks on a train passing through Paint Rock, Alabama, were arrested March 25, 1931, on claims of rape by Miss Price and Ruby Bates, who also was on the

The oice were taken to Scottsboro and, with emotions runniog high amoog white townsfolk, eight were sentenced to die. Nooe was executed, however, after Miss Bates recanted her testimony and new trials were ordered on appeals. But the men served prisoo sentences of various lengths, some on death row.

Miss Bates died in 1976 in Washington, where she had marnied and became Ruby Bates

30 Die in Argentine Crash

BUENOS AIRES - At least 30 persons were killed and more than 50 were injured Sunday when a passenger train rammed into the back of another at Quilmes Station, six miles (10 kilometers) south of here, Argentine police re-

Zimbabwe Gets a New Past as Texts Are Revised to Reflect Blacks' Role

By Joseph Lelyveld
New York Times Service

HARARE, Zimbabwe — For decades, every schoolchild who grew up in this country, the former Rhodesia, learned that its history essentially began in 1855, when the Scottish explorer David Livingstone made his way to the great falls on the Zambezi River and named them for Queen Victoria.

Now, as one of the first tangible fruits of its independence of only two and a half years. Zimbabwe is getting a new past. New history texts for primary schools are just off the presses and e hotly compet-itive race is on among several pub-lishing houses, each with its own team of historians, to see who can be first with historical surveys for high school and university stu-

The new texts all seek to meet a deeply felt oeed: to show that the hlack people who live in modern Zimbabwe have been shapers of history and not just bystanders. "I knew most intimately the his-

Arab Put on Trial For Vienna Attack

VIENNA - An Arab accused of organizing a machine-gun and grenade attack on Vienna's synagogue last year in which two persons were killed and 20 wounded went on trial here Monday amid tight

Bahij Mohammed Younis, 29, is also charged with organizing the marder of the head of the Austrian-Israeli Friendship Society, Heinz Nittel, Mr. Nittel, a Vienna city councilman, was killed outside his home on May 1, 1981. The accused is also charged with illegal

possession of arms. During the trial, scheduled to last five days, Mr. Younis will be confronted with two Arabs who were convicted of carrying out the attack on the synagogue in August last year. They were sentenced to life imprisonment. All three claim to he members of a radical Palestinian group called Al Asifa.

tory of Egypt," said Ngwabi Bhebe, a historian at the Universi-ty of Zimbabwe, wryly recalling his own school days. "We studied the Greeks and the Roman Em-pire, the Middle Ages and the Re-paissance. Then we went over to naissance. Then we went over to the voyages of discovery. The voyages of discovery brought it near

"I was trained to believe that the history of the European in Africa was the only history," Mr. Bhebe said, "that prior to that it was all darkness."

Only when he started work on his doctorate at the University of London, where he first encountered the works of contemporary historians from West Africa, did Mr. Bhebe seriously start to ques-

tion this approach.

He has just finished writing one textbook and is about to start another, but he knows that the rewriting of history is only the start of a shift in historical per-spective. All the teachers who have to work with the new texts, blacks as well as whites, learned from the old ones, he pointed out.

It is a history that dwells on the African kingdoms that rose and fell in the country's precolonial period, particularly the one that flourished in the 14th century at Great Zimbabwe. There, a set of ruins built of granite blocks were attributed by the white settlers to Phoenicians or Arabs on the assumption that the work was too sophisticated to have been done by

In fact, until independence, no textbooks were ever approved for use in schools in Zimbabwe that mentioned, even as a possibility, the accepted archaeological con-clusion that Great Zimbabwe's builders were direct descendants of the Shoua- speaking groups that are dominant in Zimbabwe now. But it is in their interpretation

ocal blacks.

of the colonial period and movements of resistance to white rule that the new texts turn the old history on its head.

David Livingstone has just a mi-nor part, and Cecil Rhodes, the empire-builder after whom Rhode-

personification of imperialism. The advent of white settlers is no longer presented as part of e tide nevolence carrying technology, literacy and Christianity. Now issues such as labor exploitation, racial discrimination and the unequal division of the land are em-The difference is vividly illus-

trated by contrasting the treatment of an 1896 Shona uprising against the whites in an old text and e new

The Africans were naturally distillusioned at the failure of the rebellion, which they thought had been at the bidding of the ancestral spirits," says an old book, and thus the hlacks started to turn to

The new books make heroes of two spirit mediums who inspired what is now called the "first Chimurenga," or rising, and then were executed. "The spirit of Kagnvi and Nehanda did not die," one text declares. "It continued to inspire freedom fighters, particularly during the second Chimurenga," the independence struggle.

British Water Workers Strike Over Pay Issue

The Associated Press LONDON - Workers in Britain's water industry staged their first national strike Monday to back demands for a 15-percent pay raise. Their 24-hour walkout was

oot expected to affect consumers. The 29,000 manual workers from three different unions agreed to provide emergency service to ensure that health and safety were oot endangered.

DEATH NOTICE

Mr. Loik Le Floch-Prigent (Chairman and Chief Executive Officer of Rhoue Poulenc. 25 Quai Paul Doumer, 92408 Courbevoie, France) regrets to inform you of the death of his father, Doctor GERARD LE FLOCH, at Guingamp (Finisters, France) on Oct, 17th. The late Doctor Le Floch

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A Message to Spain

Next week's election may add Spain to Europe's growing socialist club. A left-center rule, restless soldiers still have the power to government led by Felipe González would be a natural swing of the democratic pendulum. The governing right-center is plainly tired and divided. But the Spanish pendulum swings over a sinister pit. The last Socialist victory, in 1936, ignited a civil war that yield-

ed three decades of tyranny.

Mr. González needs no history lessons. He has gone out of his way to mollify the traditional right. His brand of socialism owes more to market theory than to Marx. Gone is the old call for nationalizing industry. The focus is on steadying Spain's fledgling de-

mocracy and reducing unemployment.

But this has not diminished the itch to rebel among the gloomy dichards in an oversized army. Three colonels were indicted the other day for plotting an uprising for the eve of the coming vote. They allegedly conspired with officers already in jail for a brazen coup

ruin. In the name of combating anarchy, this remnant could sow it. And thwarting any such attempt is more than a Spanish concern.
This is not 1936. A reborn democracy is

defended by a popular monarch; it has effec-tively checked a terrorist challenge and reasonably yielded to demands for regional selfgovernment. The press, the parties and the trade unions stand in the vigorous main-stream. There is no likelihood of a Popular Front coalition between the Socialists and a divided Communist Party. No less important, Spain's historic isolation is ending. It joined NATO this year and hopes to enter the Common Market. Spain's democratic partners need to send a clear signal about the risks of unsettling an electoral verdict. A show of solidarity can well counter residual Socialist doubts about the value of the NATO tie.

-THE NEW YORK TIMES

No Panacea for Steel

The American steel industry keeps bitterly argning that all its most serious troubles spring from unfair foreign competition. That is an opinion shared by hardly anybody who does not work for a steel company, but the companies doggedly pursue their many complaints and accusations through the labyrinthine structure of the U.S. trade laws. The latest development is a vote by the International Trade Commission holding that the American producers have indeed been dam-

aged by subsidized competition from Europe.

The decision will enrage some of the Europeans. But if it represents a political victory of sorts for the American steel makers, the ITC vote provides them with little actual relief. The effect is to impose duties on the im-ports equal to the subsidies. That will proba-bly keep the highly subsidized steel, mainly British and Italian, out of the American market. But the same inquiry has also concluded that West German and Dutch steel is not subsidized. The Japanese and South Korean producers are not included in this case. In effect, the most formidable of the competition is not touched by the decision.

The trade laws are not working badly, on balance. They give a little comfort here and there, but not much - and, at least so far, they have usefully deflected some of the pohtical lightning. There has been a good deal

of heavy breathing in Europe about retaliation and trade wars. But the really remarkable thing about the steel quarrel is that it has not done more damage to Atlantic relations. In the United States, some 200,000 steel-workers — nearly half of the industry's work force — are out of work. In Britain, where unemployment is 12.7 percent, employment in the steel mills has been cut to less than half of its strength of four years ago. In France it is down by one-fourth. The world has grossly overbuilt its capacity to produce steel and now, at immense social and economic cost, it is having to close mills. The temptation is almost overwhelming to blame the distress on foreigners. But for both Europeans and Americans the roots of it are at home.

In casting his vote, Alfred Eckes, chairman of the ITC, observed that during the past decade American steel wages rose at an annual average rate of 12.4 percent, far faster than inflation, while productivity rose 2 percent a year. He deprecated the idea that subsidized imports are "the most important cause" of the domestie industry's decline. Another commissioner, Paula Stern, added that "to an industry plagued by prolonged, deep recession, delayed modernization, an overvalued dollar and a noncompetitive cost structure, these duties are no panacea."

-THE WASHINGTON POST.

The Trade Challenge

Japan's economy has been expanding for most of 30 years by more than 5 percent a year. This year it is growing barely half that fast, and that is the good news. West Germany's economy is hardly growing at all. France has double-digit inflation. Brazil's output was down last year for the first time in 25 years. Mexico and Poland cannot pay their debts.

The list goes on. The whole world is in this thing together. The industrialized countries are suffering, not least the United States, but the rest of the world is suffering, too. When all suffer together, who is there to help the other one get off the floor? The sensible answer is joint effort to help each other, but the trend has been the other way - a revival of every-man-for-himself protectionism.

The leaders of the strongest countries the seven who gather annually at economic summit meetings - have been derelict. Their last conference, at Versailles in June, failed to address the global malaise and ended in disarray over narrower issues, most visibly the Siberia-to-Europe gas pipeline. France's President Mitterrand suggests, with good reason, that the hoopla be eliminated next time and that the group talk scriously in private about what really alls the planet.

The annual meeting of the International Monetary Fund in Toronto last month was another opportunity missed. Mexico, Argentina. Brazil. France and still others have deep-seated balance of payments problems. Quick action to enlarge the fund's capacity would have helped, but, largely owing to the intransigence of the United States, there were no decisions. The need remains for speedy agreement to handle the current crises, and for more agreements to head off other crises. A third opportunity for joint effort comes

up next month when 86 governments assemble for an annual meeting on trade relations, under the umbrella of the General Agreement on Tariffs and Trade. That is the historic treaty that commits them to open and orderly trade. They will meet at a critical time.

The handmaiden of world recession is increased protection for ailing industries. The effort of the American steel industry and the Reagan administration to curb imports of European steel is salient, bolstered now by Friday's ruling against the Europeans by the U.S. government's International Trade Commission: Another danger sign is the "domestic content" bill pending in Congress, which ould require that the components of all automobiles sold in the United States be at least 90-percent American-made.

America is not the only protectionist villain. Japan has never opened its doors as wide to foreign products as have America and Europe. The developing countries main-tain restrictions on imports from the industrial countries while enjoying duty-free entry to the industrial markets for many products.

The critical point is this: The world economy grows when trade grows. World trade has anded almost without interruption since World War II, but now it is contracting. From \$1.9 trillion in 1980 it shrank by \$100 billion last year and is shrinking by another \$100 billion this year. The worldwide recession means that countries buy less from each other, and this then stifles recovery. It could become a downward spiral. Nothing would do more to prevent this spiral than solid recovery in the major countries. All countries should be pledging not to erect new and damaging barriers to trade.

-THE NEW YORK TIMES.

Other Opinion

Agreeing on Steel Quotas

Both Washington and the Ten want to find a way out of the maze. It has been suggested that the Europeans could retaliate against U.S. countervailing duties by acting against U.S. synthetic fibers, on the grounds that American producers pay well below world prices for their natural gas feedstock. In that direction there lies the danger of uncontrollable escalation. Under these circumstances a quota agreement, if it can still be put together, promises to be the least of many evils. But two points should be clearly understood. The Europeans must honor their undertaking to restructure and eliminate subsidies; and the Americans must not use this temporary deal as the precedent for permanent protection of

their high-cost steel industry.
— The Financial Times (London).

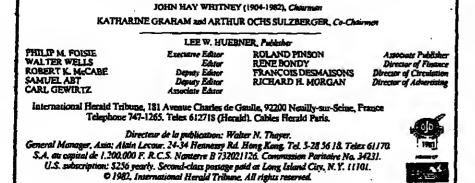
OCT. 19: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: President Kills a Bear

NEW ORLEANS - The news of the killing of a large black bear by President Roosevel in the canebrakes, at the end of a four hours' ase, was received in a telegram to Mr. John M. Parker, one of the men who invited the president to hunt in Louisiana. The bear broke into a dense thicket and the president plunged in after it with one of the guide's dogs, and had to force his way through the thicket, the bear keeping ahead of the presi-dent and within hearing of the dogs. Just be-fore nightfall the chase led to a small opening. The president was 60 yards away and as the bear was about to plunge into the thicket again, he raised his gun and shot it. The bear was a female and weighed 400 pounds.

1932: Street Fighting in London

LONDON - A monster unemployed demonstration was staged in London and culmi-nated in severe clashes between the police and the demonstrators. The trouble started when a crowd estimated at between 5,000 and 10,000 found itself thwarted of its objective — advertised some days ago as the headquarters of the London County Council and surged into St. George's Circus, blocking all traffic. Scuffles broke out in several directions, with police swinging their batons vigorously, and a good many casualties were sus tained. Repeated charges were made by the mounted and foot police, who finally drove the crowds into the houses, from which they kept up a fusillade of flowerpots.





How American Grain Helps Moscow

NEW YORK — While imposing sanctions on America's allies for helping Moscow build a natural gas pipeline, President Reagan has justified the sale of grain to the Soviets on the ground that such sales "will result in the

Soviet Union having to pay out hard cash, and they're not too flush with that right now."

"The pipeline," President Reagan has also stated, "will result in the Soviet Union getting

hard cash ... which it can then use to further build up its military might."

In fact, it is by buying grain from the United States that the Soviet Union saves vast sums far more than it spends on the grain itself. In other words, U.S. grain sales make it easier, not harder, for the Soviets to meet other require-

ments, including their military buildup.

The Soviet Union is saving approximately
\$32 billion this year by selling oil for grain
rather than producing its own grain. The key here is a concept that economists

call comparative advantage, or disadvantage. For the Soviets, there is a huge comparative disadvantage to producing grain.

Because its agriculture is so inefficient, the Soviet Union needs much more capital investment, labor and raw materials to expand grain harvests than to produce other goods, which can then be sold in the West to raise the money

to buy grain instead of growing it. At the same time the Soviets have an enormous comparative advantage in the production of oil and gas, products that they can sell in the capitalist world. Relatively speaking, the Russians can get much more rumble for the ruble by producing gas or oil and using the proceeds to buy grain than they can by trying to produce By Jan Vanous

more grain of their own. The availability of grain imports enables the Soviets to eliminate costly expenditures on fertilizer, agricultural machinery, grain drying facilities and storage facilities. In addition it permits the Soviet political leadership to avoid undertaking major institutional and incentive reforms in the agricultural sector - reforms that would inevitably have political repercussions.

The Reagan view that purchases of grain are

drain on the Soviet economy assumes that Moscow has a fixed amount of hard currency for buying Western goods — that every dollar spent on gram is a dollar it cannot spend on

something else. But this is incorrect.

If the Soviet Union is a relatively low-cost producer of oil, gas and other raw materials and a relatively high-cost producer of grain. then it should want to export petroleum prod-ucts and import grain. The degree to which such a course would pay off can be shown by comparing the trade-off between the relative costs of producing and buying grain and other commodities important in Soviet trade. Petroleum products give us the best examples for this comparison because they produce the balk of Soviet hard currency earnings.

Look at what has happened to the terms of

trade between crude oil and grain on the world market in the past decade. In 1970 one metric ton of oil sold by the Soviets purchased barely 200 kilograms of wheat. By 1981 the same ton of oil bought eight times as much wheat.

Now look at the costs of producing grain or oil and gas inside the Soviet Union. In 1970,

Wharton Econometrics has estimated, a ton of oil cost as much as 200 kilograms of wheat on the world market and the Soviets could produce an additional ton of oil for the same cost that they could grow 60 to 100 kilograms of wheat In 1981 one ton of oil would buy nearly 1.6 tons of wheat on the world market, but in the Soviet Union the extra costs of producing one ton of oil would, if applied to grain production, provide only 200 to 250 kilograms of grain.

In other words, in 1970 it was two to three times less efficient for the Soviets to invest in

wheat production than in oil production, when measured by the standard of world market pric-es. But in the early 1980s it has become six to eight times less efficient for the Soviets to invest in grain production. No wonder they pre-fer to buy U.S. grain surpluses while maximiz-ing their oil and gas production.

The Soviet Union is expected to import

about 46 million metric tons of grain this year at a cost equivalent to the world market price of 29.2 million metric tons of crude oil (assuming, for simplicity, that all grain is priced as wheat). If the Soviets tried to grow those 46 million tons of grain at home, the domestie cost of such increased production would be equivalent to the cost of producing about 159 million metric tons of oil. Thus, by spending \$7 billion to import 46 million tons of grain this year, the Soviets save roughly \$32 billion. And they escape the need to make dramatic domestic reforms. This seems like a good deal for Moscow.

The writer is an economist for Wharton Econometric Forecasting Associates, which specializes in Soviet trade questions.

Some Fatten On Hunger

By J. Collins and N. Allen

SAN FRANCISCO — It is not sufficiently widely realized that some people benefit

from keeping other people hungry.

The hungry will often work for low wages in indecent conditions. Large landowners in Central and South America can pay landless or land-poor farmworkers \$2 for a day of picking crops for the export market. If these laborers were not hungry, if they had access to land, they could grow enough food for their families. But then, the landowners fear, they would not work on the export harvests, or they would be

able to hold out for decent wages.

Operators expanding big banana and pineapple plantations on the Philippine island of Mindanao drove thousands of small farmers off their homesteads. Disposeesed, these hingry peasants are now available to work for low wages to produce luxury fruit for export. The beneficiaries of hunger include the

American and European corporations whose subsidiaries manage and market the crops har-vested by hungry plantation workers, and mul-tinational manufacturers who close down plants in the United States and move to com-

plants in the United States and move to countries where there are many people imagy enough to produce electronic calculators or textiles for wages far below U.S. scale.

Many Third World governments and their business partners benefit from keeping the prices paid to small farmers low. Although these farmers are often the main producers of staple foods, the price controls keep them poor and willing to work part of the year on the export plantations. And low prices for staples make it easier to keep wages low in the cities, because workers there can still afford a subsistence diet. In proclamations, everyone opposes hunger, In proclamations, everyone opposes hunger. But to work effectively against it we need to analyze the forces that keep hunger in place.

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After dozens of blue-ribbon commissions and shelves of academic studies, most experts now concede that poverty — not scarcity, not overpopulation, not technological ignorance is the root cause of hunger. The single most important step toward ending world hunger would be allowing the bungry access to the food-producing resources — land, water, credit — that are now monopolized by a wealthy mineral are most of the reads.

nority in so much of the world.

"Seventy percent of our children in El Salvador are mainourished," a former Salvadoran minister of agriculture said recently. "That's why we are fighting a war in our country." As the 30,000 deaths in that war demonstrate, the desire of the bungry for access to food-pro-ducing resources is an enormous threat to the elite who benefit from their low-paid labor. Instead of helping, U.S. policies in El Salva-

dor and elsewhere often work against the hun-gry. The military and economic aid that shores up the elite also thwarts the efforts of the hungry who are working to improve their situation.

To truly help the hungry, we must put ourselves on their side by insisting that governments and corporate leaders change the policies that allow others to profit from hunger.

Joseph Collins is co-founder, with Frances Moore Lappe, of the San Francisco-based Insti-tute for Food and Development Policy. Nick Allen is a researcher at the institute.

Let the PLO Hold an Inquiry on Anti-Jewish Terrorism should conduct their own inquiries.

CAMBRIDGE, Massachusetts — Once again Jews attending a synagogue have been the targets of an attempted massacre. This time it was in Rome, on Oct. 9. Before that

it was Paris and Brussels. This time a 2-year-old baby was mudered and his 4-year-old brother was burt, along with 36 other peo-ple. As usual, the Palestine Liberation Organization denied complicity. But complicity, as the world was quick to remind Israel after the Beirut massacre, is a complex and multifaceted concept.

A simple denial that "our sol-

diers" fired the fatal shots will not suffice. In the aftermath of Beirut, the world - including Israeli and American Jews — properly demanded more than that kind of simple denial. It called for an independent inquiry into the circumstances leading up to and surrounding the ultimately lethal events at the Chatila and Sabra refugee camps. After some in-itial vacillation, the Begin govern-ment relemed and appointed a genuinely independent commission to conduct a thorough investigation. Why is there no similar demand for an inquiry by the PLO into its own possible complicity in the cent spate of synagogue killings?

Documented reports strongly sug-

gest that neo-fascist terrorists - the kinds of anti-Jewish extremists who shoot into synagogues — have been trained alongside PLO terrorists and that neo-jascist groups have received funding from the same sources that belp finance the PLO. The international terrorist network consists of extremists from the far right as well as the far left, whose common goals include destabilization of Western governments. Cooperation in terrorist plots among fascists, communists. nationalists and anarchists is common and well-documented. At the bub of this network is the

PLO, with its terrorist training camps throughout the Arab world. Since it helped to plant and fertilize By Alan M. Dershowitz

the original seeds of destruction, the PLO surely bears some responsibility for the bloody harvest. Precisely how much responsibility and comviscity the PLO actually shares can be determined only when all the relevant facts are learned. That is why an inquiry is warranted.

Those who view the PLO as no more than a gang of terrorist thugs cannot expect commissions of inquiry or other manifestations of pointical responsibility. But those who have urged recognition of the PLO as representing an organized and responsible political body must insist that it behave like such a body.

Governments such as those of Austria, Greece, Italy and France indeed even the Vatican - must not let the PLO have it both ways. They should demand of the PLO what they demanded of Israel. No organization that aspires to international recognition can be allowed to train and finance terrorists and then

samply issue terse communiqués donying all complicity in their predict-able and despicable deeds.

Perhaps Yasser Arafat did not Lionze li killings. But he may well have set in motion forces that made them inevitable. Only an independent commission — with access to paramilitary information and lists of terrorist trainees - could prove or disprove

Mr. Arafat's complicity. If he were found to be responsible for if he stonewalled the investigation) would there be widespread calls for his resignation as chairman of the PLO, as there have been for that of Menachem Begin? Some will surely say that it is unrealistic to expect the PLO to con-

duct a full and open inquiry into possible responsibility for the synagogue killings. If the PLO refused, then its host countries — those who give it sanctuary, diplomatie status and other forms of recognition -

Countries such as Italy and France, where the atrocities occurred, should subpoena relevant information from the PLO. If the PLO refused to comply with the valid investigative laws be closed and its officials expelled.

If the PLO cooperated with the investigation and was shown to have had no connection with the synagogue killings, it would establish the bona fides of its recent condemnation of terrorism against Jewish religious targets. This would certainly go a long way toward enhancing its claim to political recognition.

The fact that a call for a PLO commission of inquiry seems unrealistic shows the hypocrisy of those members of the international community who have been bestowing on the PLO and its leader the benefits of recognition without demanding the responsibilities of recognition.

The writer is professor of law at Harvard University.

Speaking of Blame-Gamesmanship

WASHINGTON — "In recent weeks," Ronald Reagan told America on television last week, "a lot of people have been playing what I call The Blame Game." The

accusing finger has pointed in every direction of the compass, and a lot of time and hot air have been spent looking for scapegoats."
He is absolutely right. It's the old-

est game in town, and if you want to know how to play it, there is no bet-ter teacher than Ronald Reagan, and no more brilliant example than his latest speech on the economy. He denounced the game and yet

played it far better than the Demo-crats, who are still running against Herbert Hoover. There was enough blame to go around, he said, but he didn't waste much time on his record. except to note that the value of the dollar was up and inflation and interest rates were down.

And he almost made you cry, sympathizing with the unemployed, which was fair enough since his policies have produced so many of them. Even so, it was probably about the best non-political political speech he has ever made, and one of the most misleading. And by not letting the networks see the text in advance, be got on national television with it and fooled everybody except ABC. It was a good week's work, ending

with an offer to sell 23 million metric tons of grain to the Soviet Union, which Mr. Reagan usually blames for many of his troubles.

That helped American farmers, but not the 11 million unemployed. "Tonight, in homes across America," the president said in his speech, "unemployment is the problem uppermost on many people's minds. Getting America back to work is an urgent priority for all of us, and especially

for this administration." He was also even sympathetic toward all those old New Dealers

who thought they were helping poor and old folks. "But there came a

day," he said, "when I and millions of

By James Reston

other Americans began to realize the terrible consequences of all those years of playing politics as usual while the economic disaster lines

orept higher and higher."

Of course this is precisely what be is doing now, playing politics with the economic crisis. "At my age," he said, "I did not come to Washington to play politics as usual. I did not come here to reward pressure groups by spending other people's money. And most of all I did not come here to further mortgage the future of the American people just to buy a little poblical popularity." We should be careful about this.

Mr. Reagan honestly believes that the stock market boom is a symbol of the success of his policies, and that the Federal Reserve has come over to his side because it thinks the economy is rising, whereas it has changed course because it thinks it is sinking.

Mr. Reagan does not ignore the economic facts. "We're staggering under a trillion-dollar debt," he said. This year, before government can spend one dime to feed the hungry, care for the sick or protect our freedom, it must spend \$110 billion just to pay interest on the debt. And still the big spenders wonder wby the American people want what a stubborn minority in the House of Representatives denied them just 12 days go - a constitutional amendment to balance the budget."

In short, the president's speech was a dever and brilliant example of The Blame Game" he deplored. It was not supposed to be "political," but the whole thrust of it was to avoid responsibility for the economie recession and the unemployment, and to blame the Democrats in particular and the tragedy of history in general for the worst unemployment and bankruptcy record since the Great Depression of the 1930s.

It should not be forgotten that Mr.

Reagan is an actor, with a patriotic flair and a gift for speaking in simple words. Lately be has been doing

nothing else — flying all over the country asking for help. "Give me a chance," he says, we've been in Washington for only a little while. "Stay the course," don't leave us just as our policies are starting to work. There is very little evidence, of

course, that this is true. His economic policies are not working, but the president is dominating the headlines and the news broadcasts on national television, and his party is pouring out much more money into the congres-sional races in November than the Democrats can command.

Accordingly, the Republicans are likely to hold their own in this "Blame Game" in the November elections, keep a narrow control of the Senate and avoid a disaster in House. The question is what Mr. Reagan will do after that. Will he run for a second term or

get tired of "The Blame Game" and go home? In Hartford, Connecticut, the other day, Vice President George Bush said: "I'm convinced he should run again. And my gut feeling is that he should say so very soon, which would clear the air." This is really the emerging question

in Washington: Not what is likely to happen in the congressional elections in November, which will probably be a standoff, but whether Mr. Reagan will decide to go on playing "The Blame Game" for four more years. He deplores the game, but he plays it more convincingly than anybody else. The New York Times.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

LETTERS TO THE EDITOR

Regarding "In Search of a Rational Defense for Beleaguered Europe" (IHT, Oct. 10). Why is there no refer-

ence in this commentary to the constructive proposals tacitly contained in the Treaty of Rome? An untutored individual aghast at the thought of the disastrous occur-

rence of a nuclear war might be excused for being unaware of the terms of the Treaty of Rome and the great significance it holds for the reorganization of the world political system. But there is little account from system. But there is little excuse for a political commentator failing to acknowledge the effect that eventus merging of the sovereignties of the 10 nations of the European Community would have in providing a more effec-tive and rational control of defense for the whole area. E.G. MACFARLANE.

Charles William Maynes, in "The U.S.-West German Entente Needs Updating" (IHT, Oct. 14), refers to sination of President Kennedy.

Space Advocacy

Space Tests" (IHT, Oct. 11):

Defending One Europe

Diem: A Year Off

the assassination of South Viet-namese President Diem "in 1964." It was in 1963, shortly before the assas-BERNARD SINSHEIMER Boulogne-sur-Seine, France.

Regarding "The Schools Are Failing

In response to the article by Frank H.T. Rhodes — and to the accurate Herblock cartoon - concerning the failure of schools to educate Americans in science and technology, it should be observed that, unfortunately, the schools are simply reacting to the tlack of public interest in and awareness of the scientific importance and material benefits that the U.S. space program has provided to Americans and to the world.

It is in response to this lack of

awareness on the part of the public, and the resulting reduction of the space program, that space advocacy groups have been created throughout the United States. These groups, such as Delta Vec, Inc., have had notable success in preventing cancellation of certain NASA missions — the Viking-! lander on Mars, for example and in creating a greater public awareness of the benefits of space research and exploration.

ROBERT E LAWS, Delta Vec, Europe.

The Marcos Trip

Regarding "As Marcas Leaves for Washington, 2,500 Rally Against Trip in Manila" (IHT, Sept. 15): That 2,500 demonstrators were able to assemble and protest publicly in the heart of the capital is incontest able proof that the Philippine govern

ment does not repress political dissent as long as it is peaceable. While the foreign debt of the Philippines is not small, it does not surpass the limit allowed by law. In any case, the financial obligations are

needed for the development of the infrastructure of the country. State visits are never a cheap affair. Whatever the cost of President Marcos's trip to the United States, it was fully justified considering the visit's importance in terms of Philippine-American relations and the interests

of the Southeast Asian region. FELIPE MARILANGAN. Ambassador of the Philippines.

Some Strike Out If the "Global Newspaper" flag on your front page means anything, is it not time you changed the Sunday crossword from the provincial and often erroneous puzzle it now is? Europeans and most Asians know little and care less about baseball.

R. ERIC WARREN. Mougins, France.

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LEBANON: THE REBIRTH

Amin Gemayel, the President of the Lebanese Republic, will arrive in France on Wednesday, Oct. 20, for a short working visit. This visit to France again confirms the special ties between Lebanon and France. Previously, he will have addressed the United Nations, and met in Washington with President Ronald Reagan. On Thursday, Oct. 21, he will have an audience with Pope John Paul II before meeting with President Sandro Pertini of

Italy. In Paris, Mr. Amin Gemayel and the Lebanese delegation will lunch with President François Mitterrand, and French senior officials following private talks between the two Heads of State.

Beyond the visit itself, this trip signifies Lebanon's re-entry into the international scene. All this is possible today because Amin Gemayel symbolizes the resistance of an entire people, of an entire nation, which, despite more than seven years of war and violence, wants to live in freedom and independence. During the worst moments of the Lebanese tragedy, the country's institutions never stopped functioning.

Even when scorned and disregarded, the country's institutions were maintained. Rare are the countries whose institutions could have resisted such a long voyage through hell, and a series of events like the ones Lebanon experienced from August 23 to September 23. The president-elect, Bashir Gemayel, who in 22 days had become the hope of an entire people tired of other people's war, was assassinated before being able to act. But there was no political vacuum, and once more the often-criticized Lebanese institutions worked perfectly. Two days before the end of the mandate of President Elias Sarkis, Amin Gemayel was elected by the largest majority ever obtained in the Lebanese Parliament.

THE RETURN TO SOVEREIGNTY

Less than a month after acceding to the supreme post, the new head of state is working with great enthusiasm towards the restoration of the state's sovereignty. The task is not an easy one. Amin Gemayel said so himself in his inaugural speech on September 23: I am taking office at a time when the country is torn apart.

Although the Israelis are still in the south of Lebanon, and Syrians and Palestinians are still entrenched in the Bekaa, in the east, and the north of the country, Beirut, the capital formerly divided into east and west, has already been reunified.

Since the end of hostilities and the evacuation of the PLO fighters, the Israeli forces have withdrawn from the entire capital. The often-criticized Lebanese army has demonstrated a miraculously newfound authority in the field. Not a day goes by that the internal security forces do not procede with the apprehension of convicted offenders, the questioning of foreigners whose papers are not in order, or even actions such as the one by a traffic policeman who arrested a motorist who was in a bit of a hurry and ran a red light. It's true that he had lost the habit of respecting traffic signals during the last seven years of war.

In order to end the cycle of violence and the wars that others wage on Lebanese territory, and restore national sovereignty, the Lebanese people know, and the new head of state constantly repeats, that there must be a sovereign state with a solid and homogeneous army that will come from all of Lebanon, will belong to all of Lebanon and will be present on the entire Lebanese territory. With the multinational force made up of French, Italian and American troops at its side, the Lebanese army is becoming, day by day, the instrument of the state's authority, and national sovereignty.

The army is only one instrument of this sovereignty, however: the judicial and administrative organizations are others; and all of these, in the spirit of the constitution, represent the foundations of democracy, the guarantee of liberties and of the securities of the Lebanese citizens.

NATIONAL UNITY

This restoration also is tied to national reconciliation. This reconciliation became apparent as soon as the occupation of Beirut ended. It is tacit where foreign troops are still present. Along with the geographical reunification of the country, and within the prospect of a total withdrawal of foreign forces from Lebanon, the government installed on Oct. 7 will have to achieve this national union.

In the words of the new head of state, this union is the foundation of the homeland, and an absolute priority for Lebanon. Amin Gemayel, it is true, has a considerable asset in this task: The Lebanese people, weary of war, dispersed, their families broken, often exiled, aspire to being reunited. This aspiration manifested itself in a dramatic way during the funeral of President-elect



AMIN GEMAYEL, President of the Lebanese Republic: The hope of an entire people.

Bashir Gemayel, where almost all the Lebanese communities found themselves united in that trying experience.

Furthermore, the President of the Republic has an image of a man of dialogue and national entente, an image that he has worked for since the beginning of the strife. He said it himself, on the eve of his election: To reconstruct the fiber of the Lebanese fabric by consolidating the spirit of unity to which every Lebanese aspires is one of his first objectives.

There too, the task is not easy. Since taking office, the new head of state has repeated his appeals for reconciliation among ourselves and with others.

Dialogue, entente, ouverture are words that one often hears him voice. He has repeated these words like a leitmotiv in all his speeches and discussions . . . It is also true that he is seen today as a true force for reunifica-

PERMANENT VIGILANCE

Although he always maintained a dialogue with the conflicting parties, even during the height of the war, Amin Gemayel never strayed from a clear position. Fiercely dedicated to entente, he was also devoted to national sovereignty. And when that sovereignty had to be defended, he did not hesitate to take arms. He habitually told journalists whom he met in his office: The events in Lebanon have taught us that we Lebanese must always be vigilant, 24 hours a day and 365 days a year, from the day of our birth to the day of our death. He adopted his brother's entire program.

We owe it to his memory, he said on Sept. 23, to achieve his dreams, and to fulfill the hopes placed in him. In fact, although the two brothers had different personalities and styles, they nevertheless had the same objectives. Their common experiences led them to have the same fundamental options. Amin Gemayel wrote on the eve of his election: The image I have of Lebanon and its future is the same as that of my brother.

THE RIGHT TO BE DIFFERENT

He defined his objectives in the same article, published by the American press: the sovereignty of Lebanon, national unity, the restoration of administrative functions, the rebuilding of the army, without forgetting the re-establishment of Lebanon's role in the Arab World and the international community.

As a member of the Arab League, there is no doubt that Lebanon as a whole remains a unique model for a society. Lebanon has always had a position and an identity that were unique and enriching for the Arab world: its role as a bridge between the Arab world and the West, but even more so as a mediator for peace in the region. Our intention is to regain this role.

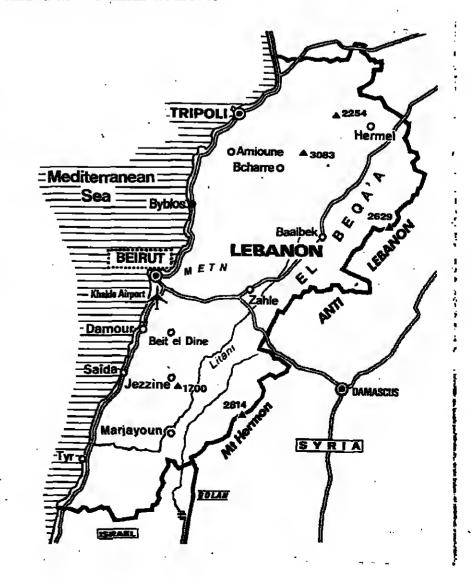
The new head of state has always preached this right to be different within the Arab world, just as he has preached the principles of liberty and cultural pluralism in Lebanon.

RECONSTRUCTION

By accepting the challenge of supreme responsibility in the current circumstances, Amin Gemayel has also accepted to fight on several fronts. Torn by nearly eight years of wars and violence, ravaged and anemic. Lebanon must be rebuilt. In this respect one can certainly count on the Lebanese people who rebuilt their homes or offices between bombing raids.

Here too, the new head of state has assets. At the height of the strife, he made his region, the Metn, northeast of Beirut, a pilot area where modern housing and community facilities were constructed. Attentive to Lebanon's cultural role, Amin Gemayel, with his Maison du Futur, set up a variable research and planning organization. He also fostered the creation in the Metn of several social and cooperative development institutions.

A man bursting with ideas, he knew how to surround himself with trustworthy teams in his profession. Now, as head of state, he has surprised his fellow citizens by forming a government that broke with the traditions of patronage and feudalism. His collaborators are technicians, but they are first and foremost practical men, and they should be able to tackle the gigantic task of Lebanon's reconstruction. At the worst moments of the tragedy, the Lebanese currency, like the nation's institutions, maintained its course against winds and tides for many varied reasons. Similarly, the country's economy has demonstrated its dynamic nature by spreading its talents to the four corners of the world. Today more than ever, Lebanon needs the creativity of all its citizens to rebuild. Amin Gemayel said: We know better than anyone that our problems are enormous, and that they require unlimited devotion and energy. No matter what it takes, each of us is determined to rebuild Lebanon, and this we shall achieve.



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ARTS/LEISURE

Chanel Goes Sexy

By Hebe Dorsey

DARIS — It is a good thing Coco Chanel is dead because she would not have understood the hlack-lace see-through, showing legs and derrière - and sometimes breasts too - at the Chanel collection Monday. Nor the garish prints, the corrected midriffs, the

PARIS FASHIONS

miles of jewelry and the wild evening wear. Wild for Chanel, that is. Actress Marie-Jose Nat was shocked. "That's not why I come to Chanel," she said, while another observer anted with chagrin: "Chanel used to be la Francel" Somebody else remarked, "It looks like Adolfo," a reference to the New York designer and a favorite of Nancy Reagan's, who has made a killing by adapting and lighten-ing the Chanel look.

The latter remark is unfair, however, because it is what Chanel is all about today. What is left of the famous designer is only a memory. And that is exactly what Herve Leger, one of Karl Lagerfeld's assistants, is giving the customer. [Lagerfeld himself will be an adviser for the couture collection.)

The new Chanel suit is terribly commercial — and more or less Chanel. The jacket is shorter and the shoulders, those famous shoulders that the late Chanel was always ripping off because she never found them small enough, are now wider. It works with the shorter skeeves (another innovation), hut with the regular ones it looks dum-py. The Chanel proportions were them can be fatal.

Other changes included higherheels, shorter skirts and huge bags, with a model carrying a tote bag — another detail that would have driven the late Mademoiselle up the wall. But sherbet colors, soft pleated blouses and those CC gold buttons and stacks of pearls, were all echoes of the good old days. Curvy suits were the best of Givenchy's collection, seen earlier

Monday. Almost an institution, Givenchy still has the countre charisma. Yet he is much better known in the United States than in his own country.

Hence the elegant, utterly real tone of his clothes; the silk shirtwaist dresses with big bows in front, are just the thing for expensive New York restaurants, while all the light and ruffly evening wear speak of Newport and the

Familiar with American summers, Givenchy delivers fresh, sun-ny entions and updated, comfort-

At Dior, Marc Bohan open with pretty, white knit maillois and long robes to match. This collection has to sell, judging from the impressive front row of store presidents. Yet, like most of the conture collection, it really boils down to conservative merchandise, without the zing, freshness and creativity of the ready-to-wear talents.

The good moments at Dior's were the hlack-and-white suits, the mannish pantsuits, with short striped jackets and the bloused short satin dresses at the end.

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Chanel's see-through lace dress; Givenchy's fitted suit.

In a season that has been quite rich in swimwear and dressy beach costumes, Jean-Louis Scherrer did some nice draped maillots. Once the designer for Mrs. Valery Gis-card d'Estaing, his clothes now look awfully conventional, especially next to this week's younger. jazzier and peppier collections.

The black collection of Somia

Rykiel was not a surprise, but it was a shade too black even for her fans. Almost mourning. Rykiel is the Jean Muir of French fashion, and although these two designers deal with different fabrics, they both have a dressmaker's hand.

Although she tries her hand at cotton and crepe, Rykiel should stick to knits. Her early short dresses, copping the derrière then

able, and so were her long cardi-gans, over a double stack of law ruffles. In between the hlack, she also had subtle colors, such as grayish blue and almond green. At Issey Miyake's, the look was

a cross between hieratic and tribal, with all kinds of loose, rugged fab-ries floating here, there and often nowhere. But Miyake showed stunning close-fitting satin mail-lots under long linen robes in besutiful pastels.

At Lanvin, the prettiest girl was not on the rimway. She was designer Maryll Lanvin, a former model and wife of the house's son and heir, Bernard, who delivered a simple, pretty story, just like her. It will sell — if the price is right.

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'Cats': Effects Inflated Beyond Reason

By Walter Kerr New York Times Service

NEW YORK — I must say that those cats at the Winter Garden are making a spectacle of themselves. Indeed, it's the very best thing the sleekly coated creatures are prepared to do.

We weren't precisely surprised, as we walked into the theater that had been extensively renovated for Andrew Lloyd Webber's fresh-from-London "Cats," to note that the space once called a "stage" now spilled over its strangely missing apron to crawl upward and outward over the auditorium's balcony, boxes and even its celestial ceiling. We'd read about the rub-bish heap that John Napier was designing to accommodate the prowling and the prancing of some 26 feitnes whose undulating tails and tigerishly striped legs Napier had also spent nights dreaming about Just about as we'd imagined it, except for one thing. Its scale. Napier had made everything oversized, but not too oversized, not as though inammate objects could ever overwhelm, or even intimidate, the animal kingdom of T.S. Eliot (whose "Old Possum's Book of Practical Cats" provided

the evening with its libretto). As we worked our way to our seats, we realized — with a small jolt of surprise — that while a carled-up cat may be no larger than an aban-doned hi-fi record, it has legs to leap with and eyes that probably proportion was right and we knew can see more than we suspect. This

With the first big-city clang from Lloyd Webber's hidden 25-piece orchestra, it was clear that the spectacle we were in for was going to be a no-nonsense uprush. We did not go gentle into the back-alley night. Instead of a gradual musical build and a slow fadein under a muddy moon, we were hit between the eyeballs with eye-balls, what seemed hundreds of pairs of them - green and blink-

On stage, the blackness was now being stabled by the knifelike thrust of strobe lights, and we were beginning to see haunches hoisting themselves and tails uncolling as the market and string themselves and tails uncolling as the neighborhood stirred. Then, in overhead patterns of frozen forked lightning, thousands of miniature Christmas-tree lamps staggered on, seeming to make more noise than the accelerating orchestra as the massed chorus of cars began its evening hustle.

What else was happening at the Winter Garden? Oh, quite a lot, taking the occasion as a whole. A sizable circle of blue and white lights that had been biding its time at center stage on the floor slowly at center stage on the Hoor slowly began to rise to the heavens, trail-ing smoke. As velvety cats, scruffy cats, spiky cats and all kinds of cats (in quite stunning outfits) sang their pride in belonging to the Jellicle hreed and issued invita-tions to the coming Jellicle Ball, a properly oversized show was butled into their midet form some hurled into their midst from some human giant (unseen, of couse) in a window above. A locomotive spouting pulls of steam was put together on the spot for a railroad cat named Skimblesbanks (Reed Jones). A Rumpus Cat (Kenneth Ard) boasted fireball eyes that blazed and simmered ferociously. A chorus line was so artfully lighted by electrician David Hersey that, as it kick-stepped its way



backward into a sky of trailing clouds, it seemed literally to melt into space. A very vigorous cat named Rum Turn Tugger (Terrence V. Mann) kicked a hole in the sky in his eagerness to get into the act, then caimed down sufficiently to bestow a benevolent kiss on the bald spot of a gentleman in the audience. At the end of the evening a Godlike cat named Old Deuteronomy (Ken Page) escorted a down-at-paw whore-cat named Grizabella (Betty Buckley) onto the so-called Heaviside Layer (heaven, in case you're not a cat). The ceiling of the Winter Garden

opened to send a traveling staircase to meet her.

And I haven't mentioned the two music-hall turns that appeal to me most. When an Old Gumble cat (Anna McNeely) tossed off her shaggy and bedraggled accumula-tion of fat and fur to reveal herself as one Jennyanydots in orange-and-white layers of vaudeville fringe and smilingly elected to lead the chorus in a tap routine that seemed to ripple a little sideways (the effect didn't exactly arrive at counterpoint but you could hear the cleated feet nudging each other to move over a bit). I was charmed.

And I found myself amused by the mock-operetta performed in a 19th-century toy theater while the principal singers (Stephen Hanan, Bonnie Simmons) were being surrounded by enemy sampans and Mongol pirates wearing those temple-cut headdresses.
In exchange for the price of a ticket, you will get all of the colorful extravagances I've mentioned,

and more. You will also go There is a reason for this. Confronted with so much bigness, so much busyness, such a massive sweeping of sounds and bodies from the back stage wall to the lobby doors, we begin to listen very, very hard to the Eliot lyrics (with some alterations by director Trevor Nunn) to see what there is in them to justify such massive il-lustration, such elaborate fantastification. And, no matter how fiercely we listen, we can't find it.
The connection is just not there.
I don't think it marters much

whether you are a fan of "Old Possum's Book" or not It's not a question of resenting liberties taken. (I am less than passionate about the little volume myself, though it is quite understandable that so important a poet might have wished to leave behind him something in the slight, graceful and witty manner of Edward Lear. Lewis Carroll or Hilaire Belloc. For me, even his cass' names are a bit forced; the whimsical sits indifferently on his shoulders. It is possible that this particular poet was

too tall to stoop.) The point is that the verses are small, casual, almost studiously offhand and unbur-dened with moral weight. To blow them up to the size of figures in a Macy's parade is to inflate them beyond all reason, beyond such

meaning as they possess.

Lloyd Webber's score is, or could be, fun, cheerfully helping itself as it does to any style that comes quickly to hand. Now that we don't know precisely where we're at in pop music, why not ride the range? But when you hear the composer begin to huff and puff in an effort to expand Deuteronomy's godliness (there is none in the lines), you sense men at work, not at play. And when the same Deuteronomy escorts his cat-saint up, up toward the escape-hatch in the roof, the musicians can thank God (the other one) for amplification. Without it, they'd burst.

Director Nunn is put under the same severe pressure. Back walls must unfold like the drawbridges of castles, ground smoke must accompany each orbital trip, the strobes and the lightning strings must repeat their interruptive flashes again and again, and the cat on the flying trapeze must take off meantime. The business of as-

wheels isn't anywhere near as effective (or honestly imaginative) as Nunn's putting a stagecoach together, in his mounting of "Nicho-las Nickleby," out of no more than the passengers and their luggage. But, you can see, he is forced to repeat and enlarge at any cost, be-cause his source-book demands so little. Gillian Lynne's choreography suffers as well from the need to do, do, do again what she's done, done, done before. The first cat to arch its back or stretch its belly along the floor is charming: the 65th needs a brand new repertoire. Cats may have nine lives; hat they don't really seem overendowed with dance steps. In the end, as the whore who has

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sung "Memory" (already a hit song) alone under a cloud-streaked moon makes her perilous ascent to the machinery above, we have a strong feeling that scarcely a physical device used in "Jesus Christ Superstar," and possibly in "Via Galactica" as well, has been omitted. Everything's been more smoothly managed here, and there are genuinely engaging moments; the directorial hand is quite steady. But more and more, and perhaps most obviously in "Cats," we are making our theatrical mountains out of less and less solid rock.

Maazel on Tenor Hooks

Compiled by Our Stuff From Disputches VIENNA — The premiere of bim during dress rehearsal."

first new production of Lorin Mazzel's resime as director of the Vienna State Opera, turned into a near disaster Saturday when the tenor singing the title part broke down and walked off the stage.

As Reiner Goldberg, an East German making his debut at the State Opera, started to sing his first aria in Act I, he was harely audible and clearly nervous. Finally he stopped singing, dropped his harp and left the stage. The curtain fell and shortly afterward it was announced that Goldberg had suffered a sudden breakdown.

The Bulgarian tenor Spas Wen-koff, a regular member of the State Opera ensemble, took over the de-manding role, although according to company officials he had not been rehearsed in the production. He sang the part to the end and the entire cast and Maazel, who conducted, received a standing ovation from the packed house.

A State Opera employee who did not want to be named said, "What can you do, he [Goldberg]

has a fantastic voice. We heard

Opera sources speculated that Goldberg's nervousness may have been due to threatening letters received by the cast and Maazel before the performance, but opera officials and police would not confirm the existence of such letters.

When he conducted Vienna's traditional New Year's Day concert after his nomination became known two years ago, anti-Semitic leaflets appeared in the half. Maazel is an American of Jewish origin and has an Israeli wife.

The "Tannhäuser" premiere had been given a lot of advance attention as the first new production of Maazel's first season as director, and because it blended young talent and experienced artists. Goldberg's partners were Anna To-mowa-Sintow as Elisabeth and Dunja Vejzovic as Venus. It was staged by Otto Schenk.

U.S. Films In Brief

released in the United States;
Vincent Canby of The New
York Times says Hal Ashby's
"Lookin' to Get Out" "is not as
bad as Mr. Ashby's "Second Hand
Hearts' though, like that film, it is
a showcase in which excellent sotors are allowed to make fools of themselves." Jon Voight and Burl Young play two small-time New York gamblers, Alex and Jerry, who travel to Las Vegas "to escape their creditors and to recoup their fortunes." There they meet Patti Warner, which, says Canby, "may be the most thankless role — next to the one in 'I Ought to be in Pictures' - that Ann Margret has ever wrestled with." Sheila Benson of the Los Angeles Times says it's "hard to understand the vision that attracted a director of Hall Ashby's sensibilities and overall track record . . to the strident charmlessness of 'Lookin' to Get

Larry Peerce's Love Child is about a women who has a baby while a prisoner at a correctional institute in Florida. Amy Madigan. a newcomer, plays the unmarried mother and Beau Bridges the pris-on guard who becomes romantically involved with her. According to Janet Maslin of The New York Times, "Love Child is the latest bit of evidence that a film's being based on a true story need not guarantee it an authentic air. In this case, the truth must almost certainly have been stranger than the determinedly simple movie it has engendered." The film does not follow the baby's life in jail as we would expect, but "concen-trates on the beginnings of the

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BANKING AND FINANCE IN THE ARAB WORLD

PART II

Part I appeared in yesterday's editions.



BEHIND THE GROWTH: One of the many offshore oil platforms in the Gulf that provide the basic material, oil, for the growth of the Arab banking and finance industries. This platform is off the coast of Dubai, one of the key states of the United Arab Emirates.

Cautious Expansion in World Financial Markets

By Peter Truell

A RAB BANKS have been establishing their presence in the international financial markets at a tricky time. Defaults and reschedulings have occurred with increasing frequency both in the sovereign and corporate lending sectors.
Unlike previous waves of international

banking expansion - American, European and Japanese - the Arab banks have had little indigenous trade to follow and little local customer base. The international syndicated lending market has thus been one of the first, and easiest, avenues for the new international Arab banks to explore.

Most Arab banks looking to lend and ex-pand abroad have dabbled in the Euromarktet lending field. The more sophisticated have also begun to make an increasingly higher profile in bond syndications.

It has been difficult for Arab banks to strike up customer relationships with West-ern companies. This is happening only slow-

ly. Western companies and governments have well-established and preferred links with local banks. Establishing a presence in international centers and finding or training the occessary personnel has also acted as a constraint on the new Arab banks in their attempt to win blue-chip Western banking

The big borrowers of the last 10 years have been the developing countries and, par-ticularly, the newly industrializing countries of Latin America - Mexico, Brazil and Argentina, Arab banks have found it easier to win a foothold in lending to these countries. Yet, it is here that high real dollar interest rates, high oil prices and low commodity prices and depressed export markets have hit particularly hard. As a result, the loan books of some of the new Arab Euromarket banks may not be altogether healthy.

Arab Banking Corporation, the largest Arab Euromarket consortium bank, with a paid-up capital of \$750 million, has led the field of Arab banks in lead-managing inter-

Bahrain early in 1981. Its chief executive, Abdullah Saudi, recognizes the possible pit-falls of the international lending market and is trying hard to diversify his banks' activi-

But as Mr. Saudi rightly points out, for a new bank trying to break into international business the Eurolending market is the first area to go into. ABC has been extensively involved in lending to Latin America, southern Europe and the Far East. It has managed to win lead-management positions for some of the bigger borrowers in northern Enrope, such as the kingdoms of Belgium, Sweden and Denmark, as well as Electricité

It has recently begun building up a Lon-don merchant banking unit. Fred Fisher 3d and a small team that worked with him at Orion Royal Bank have been hired to start a mergers and acquisitions division at the bank's London branch. Yet, merchant banking takes time to develop and Mr. Saudi ac-

main an important part of the bank's busi-ness for the foreseeable future.

Many of the larger Arab commercial banks seeking international business have also taken to international syndicated lead-ing. It has been easier for them to tie such lending to their established business, Na-tional Bank of Kuwait, Kuwait's largest commercial bank has been careful to involve itself to only a limited extent in sovereign lending far outside the Middle East. It tends to take part in sydications within the Gulf and for companies with business in the area.

With restrictions on exposure to any one customer in many countries in the area, local loan syndications have come to be an important way for banks to put together money for a large facility in the Gulf. The Saudi locally syndicated lending market has grown up from nowhere just in the past four

Local loan syndications can, of course, be

A Decade of Consolidation: Management, Staff Training Emerging as Key Challenge

By Caroline Montagu

TRAINING Arab bankers for the 1980s has taken on more urgency, as world financial crises multi-ply. Many Arab bankers have declared the 1980s the cade for consolidation after the giddy expansion of the 1970s. In this decade, they bope, a cadre of dedi-cated and skilled personnel will be developed to manage their assets on the world markets, as well as their retail business at bome.

The Polish and Mexican debt crises have already accelerated Arabs' managerial needs. Surpluses of de-elining petrodollars demand more banking finesse and quickly - as high-spending development plans

and quickly — as high-spending development plans are already in train.

Ahmad Abdullatif, the deputy governor of the Saudi Arabian Monetary Agency, said recently at a London conference: "Arab oil-exporting countries can move into deficit as quickly as they move into surplus. Arab financial institutions...will be able to play a a vital role when this surplus disappears and the continuing oeed for economic development re-

Arab bankers are showing inevitable concern, if not worry, about the small number of skilled personnel around, the training facilities available and whether Arab banks are attracting enough high-quality staff. "We look for competence in the Middle East and we do oot find it." said one London-based Arab banker. However, this comment reflects the shift of wealth to the Gulf. The Levant and North Africa have well es-tablished banking traditions and training centers; Saudi Arabia and the rest of the Gulf states have not had time to develop enough skills.

The Gulf nations, especially Saudi Arabia, have profited from the brain drain from Jordan, Lebanon, Palestine, Egypt and the rest, Many nationals from these countries have been the moving forces behind banking in the United Arab Emirates and Kuwait, Now, these states want their own nationals at the

Kuwait's somewhat longer banking experience has belped, but experts still complain — often justifiably
— that Kuwaitis with inadequate experience, skills and motivation are put in executive posts. In the UAE, Abu Dhabians expectations of instant chairmanships are very high and their experience limited. In Bahrain, the government has commented on televi-sion that Bahraini aspirations are probably excessive.

Of the Gulf countries, Bahrain has most actively tried to develop its nationals vocational skills. A decree of 1975 clearly established the principle. The Bahrain Bankers Training Center began its first courses on February 28, 1981, four months after the charismatic Gerald H. Kangas arrived as first director and promptly set up a two-year strategic plan, Mr. Kangas, a Citibank vice president seconded from Citibank's New York training school, has been widely applauded for his energy and magnetism. "He could make a railway timetable spellbinding," said a fellow

Bahraini banker. state. It runs up to 32 courses, from elementary accounting and economics through financial planning and credit control, some for a few days, others up to three months. Expecting only 150 registrations in its first year, it ended op taking in 213 Bahrainis in the first half year and nearly 650 in the first full year.

With more than 1,000 Bahrainis on the waiting list,

the BBTC it takes other nationalities only when it cannot fill a course. Then participants pay fees. "We've had people," says Mr. Kangas, "from practically every bank from Kuwait to Abu Dhabi and people from 103 different Saudi institutions. Recently a foreign bank rang and asked us to accommodate 300. 'No way,' we said, 'we're not a regional center.'" Bot he added that there was a need for one.

All banks with a license from the Bahrain Monetary Agency help fund the center. They pay a levy of I percent of their monthly payroll and their participants attend free. The center's success, Mr. Kangas notes, "comes from the tremendous cooperation of the local banks, and I couldn't have done it without the support of Abdullah Saif [head of the BMA]; his support has been 100 percent."

Mr. Kangas, who leaves this month, is being re-placed in October this year by Albert Woodhouse, a Chase Manhatan vice president from management planning and development. He is leaving to set up in Riyadh a training institute for Citibank's Saudi joint venture, the Saudi American Bank, known as SAM-BA. The school will begin on an impressive scale January 1, 1983. SAMBA wants 10 staff its branches with Saudis

and is very pleased with its recruitment drive. Retaining Saudis against the lures of independent business is another major problem. The Saudi British Bank, for-merly British Bank of the Middle East, has been more successful in keeping Saudis in the Eastern provinces, due to Arameo's tradition of elerical work there. The Saudi International Bank, of London and with very elose SAMA ties, has had strong marketplace compe-tition for good Saudi trainees. With its role in the new United Saudi Commercial Bank it may be able to train in Saudi Arabia and not London, where it found often that Saudis became homesick.

SAMA has had its own training institute from the beginning. Britain's National Westminster Bank has provided staff, but there have been problems with the motivation of Saudis who regarded training as a bit of bobday. Recently, SAMA itself has hired an expatriate solely with training responsibilities. With customary Saudi faith, a well-placed Saudi commented: "Saudization is coming along. Twenty years ago you couldn't find anyone with even high-school training.
The SAMA institute is improving daily."
In Kuwait, a semi-government institution, the

Banking Studies Center of Kuwait, was set up in 1970 and sponsored by the central bank and the commercial banks. Providing courses in retail banking, the center, from modest beginnings, now takes 120 stu-dents a year under the directorship of Dr. Abdullah Gbenem. Courses are divided into two groups: preliminary for three years and more advanced for two years. They are only open to bank employees on half-day secondment from their banks and are taught mainly by teachers from Kuwait University.

The center has branched into a number of practical training courses taught by commercial bankers. The first course in international banking began in 1981; the first in the financial system of Islamic banking will begin in 1983. Though catering primarily for Kuwaiti nationals, both groups of courses have more non-nationals than Kuwaitis

Like other established Arab banks, the National Bank of Kuwait, Kuwait's oldest and largest, trains in house. At a senior level, officers are sent to courses run by correspondent banks, to Citibank's Athens school, the Chase Institute in New York and to spe-cifically designed courses in Morgan Guaranty and Manufacturers Hanover.

NBK has sent around 50 persons to Athens in the last three years. The deputy general manager, Ibrahim Dabdoub, says these have been "very satisfactory; we have really profited from them." He noted that local courses have "got to be ambitious and intensive and wide us with the people we need." His thrust is finding the right people with NBK, expanding its pay-roll by 10 percent a year. Out of a total of 42 branches, NBK has about 5 or 6 Kuwaiti branch managers.

The recently set up Arab Bankers Association in London is planning a non-profit training institute for participants of managerial and higher managerial level. Its chairman, Bachir Zouheiri, also group gener-al manager of the European Arab Bank, commented: 'Arab banks are short of skills in international banking. We want to help create a new generation of ex-perts. We know it will be expensive but we hope with such a clear need our institutes will be self-financing. Courses are planned in international trade- and financing loan syndication, investment banking foreign exchange and money markets and country credit-

The ABA has been talking to Jim Byrne, director of Manchester Business School's International Banking Center. Mr. Byrne, with current consultancy on training for Middle East banks, adds that in teaching banking at this sophisticated level it can be tough to (Continued on Page 10S)

Insurance Industry Registers a Decade of Steady Growth

substantial growth in the last 10 years. But it is a relatively new concept to much of the

insures against a risk in the area? Islamic leaders have been somewhat ambivalent. Some define it as a kind of gambling; others argue that gambling involves risks created by the gambler while insurance guards against the risks inherent in the ordinary business of life.

It is a commdrum to which Islam, having posed it in the first place, is content generally to turn a blind eye. But it has created a curious situation, notably in Saudi Arabia, where insurance as such is supposed to be nonexistent yet all government contracts must be insured. The authority of the relig-ious leaders is, however, sometimes matched by that of the government, and it has been through the government's insistence on insurance for its projects that the idea is coming to a general acceptance.

knowledges a kind of competition by having three national companies. Saudi Arabia has no insurers except for limited-liability cor-porate insurers, but a number of Saudi busissmen have set up offshore joint ventures

in Bahrain with foreign partners.

Legislation is slowly being assembled up and down the Gulf to regulate the free-for-all that sprang up in the wake of the area's development in the 1970s. In the United Arab Emirates, once considered one of the most over-fished markets in the Middle East, federal legislation has already been drafted and should be in use by the end of the year. Several other countries, notably Kuwait, Qatar and Bahrain, insist on the registration of insurance companies and restrict the number allowed to operate.

As with other aspects of development, many Arab countries wish to see the insurance business as far as possible in local hands. In Abu Dhabi, for instance, all government business must be insured with one

The last year, however, has seen a giant newcomer emerge on the Gulf scene, the Arab Reinsurance and Insurance Group. This was set up in mid-1980 by Kuwait, Libya and the UAE, with its headquarters in Bahrain. ARIG's paid-up capital is \$150 million but its authorized capital is \$3 billion, putting it immediately among the ranks of the biggest reinsurers in the business.

It has a dual purpose — to complement existing insurance centers ("There's more than enough business," says Lloyds) and to exploit a new means of investing the oil surpluses of the major oil exporters. It has already in its first year clocked up an impressive \$80 million of reinsurance business, de-spite certain teething problems in recruiting expertise, as well as among the management. International brokers are supporting ARIG strongly, notably the Sedgwick Group, ARIG's lead brokers.

The helter-skelter rush to development, albeit slowing down these days, has given

By Sarah Searight

Some countries get around the problem by nationalizing business. Algeria, Libya, Dusiness in the Middle East, has seen business in the Middle East, has seen by nationalizing business. Algeria, Libya, Egypt, Syria, Iraq and Iran only operate through state instructions through the problem of four local companies; the same applies in communication of four local companies; the same applies in the problem of four local companies; the same applies in the problem of four local companies; the same applies in the same applies in the problem of four local companies; the same applies in the same applies in the same applies in the problem of four local companies; the same applies in the sam the heading of political risk, covers the con-tractor against such local hazards as expropriation, nationalization or premature calling of performance bonds. Priority of projects is taken into consideration when assessing the political risks: infrastructure projects are more likely to survive a revolution than

> The rising demand for decennial liability has been much in the news and reflects the dubious reputation of a few contractors at the expense of the majority. Originally part of the Napeoleonic Code, decennial liability demonstrates a general concern over build-ing standards (the addiction of the wealthy Arab to palaces is often said to arise from his suspicion that none will last more than a few years) and, in particular, the client's concern that his contractor does not overex-

> tend himself and go bankrupt.
>
> Decennial liability places a responsibility on developers and contractors for structural (Continued on Page 14S)



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BANKING AND FINANCE IN THE ARAB WORLD

Kuwaitis Weather Brief Stock Market Crisis, but Root of Problem Remains

By Shakib Otaqui

K UWAIT'S financial system tottered brief-ly at the end of August, as the specula-tive bubble on the stock markets that has dominated the country's financial sector for more than a year came close to bursting. But timely intervention by the government and the private sector, not to mention Kuwait's unique approach to business, have helped to defuse the crisis -at least for the time being.

After three days of acrimonious debate last week, the National Assembly decided to postpone the endorsement of a decree designed to check rampant stock-market speculation. It re-ferred the matter to a five-man legislative committee that was to review the government's plan and alternatives suggested by assembly members and report back to parliament this

The boom was set off by the relative absence of productive investment opportunities at home and fears about the risks of investment abroad. These were exacerbated by the freezing of Iranian assets by the United States during the Teheran hostage crisis and, more recently, by the freezing of Argentine assets by Britain during the Falklands crisis.

The limited number of shares available on the official stock exchange — there are still only 40 companies listed — led to a search for alternative instruments. Kuwaiti investors turned to other Gulf countries, registering companies there mainly for the purpose of trading their shares in Kuwait. Most - though not by any means all — of these companies had little real purpose beyond providing the means to make speculative fortunes on the unofficial stock market, known as the Souk al-

The boom was stimulated by the uniquely Kuwaiti mechanism of futures trading using postdated checks. The buyer immediately received the shares, which he could then use to keep the cycles going. The seller had a postdated check with a built-in interest rate reflecting expectations of the share's future value.

Millions were made from the system, as more and more traders jumped on the bandwagon. The interest rates on some post-dated transactions reached the 300-percent level. The system worked so long as liquidity

flowed into the system.

A number of factors joined together in midsummer to destabilize the system. Liquidity shortages developed as the small fry joined the game, without the resources to back the volume of checks they issued. Iranian successes in the Gulf war on Kuwait's doorstep stimulated a small but not insignificant flight of capital abroad. And lower oil revenues forced the government to reduce the rate of growth in its spending further shrinking available liquidity.

But the real fly in the ointment came from Knwait's commercial law, which does not recognize the validity of postdated checks. A check is considered valid at the time it is signed regardless of the nominal date, and the holder can present it to the drawer's bank for payment at any time. And Kuwaiti law provides for five years' imprisonment for issning a check with insufficient funds to meet it.

The risks this presented — by giving the holder of a check enormous power over its issue — was minimal so long as trading was re-stricted to a small circle of investors from Knwait's leading merchant families who knew

and trusted each other well. But the risks grew enormously as more and more people were drawn in, both from Knwait and also from other Gulf comuries.

Such people were particularly susceptible to panic at the first sign of trouble and could not be depended on to resolve problems in Kurwait's traditionally easygoing give and take

This did happen when a leading dealer faced a liquidity crisis at the end of August and was forced to declare bankruptcy. There was an immediate rish to cash in postdated checks—and to prosecute issuers with insufficient funds. All the ingredients for a spectacular crash were there, and many outside observers consider the survival of the system so far as something of a miracle

With government encouragement, the leading participants moved fast to underpin the markets. They set up committees to settle the affairs of traders who were overcommitted and facing bankruptcy. They made available more than 51 billion to a newly established clearing company to "net out" outstanding positions.

And they are forming a jobbing company to act as a market-maker for securities.

The government, meanwhile, has moved rapidly to update the commercial law to prevent the premature calling of postdated checks and to take further powers to control the mar-

Kuwait's financial system is centered on the six national commercial banks, which have grown enormously in recent years on the tide of petrodollars. No foreign banks are permitted to operate, apart form a branch of the Bank of Bahrain and Kuwait, in which Kuwaiti institutions have a 50-percent share. There is also a relatively small — but very profitable — Islamic Bank known as Kuwait Finance

Kuwait's commercial banking market has become increasingly competitive, indeed over-banked in the view of many observers. The banks have, therefore, sought growth and profits on the international scene and are rapidly establishing outposts in the financial centers of Europe, North America and the Far East.

They are very active in international Euro-

loan and bond syndications -- joined quite of-ten by the Industrial Bank of Kuwait, the most secressive of the three specialized banks. All the banks also compete strongly for contractrelated loans and guarantees, as well as the financing of Kuwaii's extensive import and

The Central Bank of Knwait has been moving to impose greater control over the financial system. Banks must now have 60-percent of system. Danks must now have co-percent of their lending portfolios as term loans, in constrast with the position some years ago when most lending was through overdrafts. The rate of growth of bank lending has also been restricted to 26 percent a year and there are fairly high reserve requirements. These controls are designed to limit lending for non-produc-tive purposes — though opportunities for pro-ductive lending remain limited in Kuwait's small market.

Bank lending was deeply involved in fueling the speculative boom on the stock markets, though few bankers will admit it on the record. Bank profitability may decline slightly as gov-ernment controls reduce the speculative fever.

Jordan's Economic Record Reflects Sound Management

JORDAN'S economic performance through 1981 was a tribute to its sound management and its stability within the turbulent Middle East.

For a country endowed with few natural resources potash, phosphates and limestone — a gross domestic product rate of 8 percent to \$3.7 billion and a balanced current account in 1981 was creditable. However, Jordan has more than this: the inestim-

able resource of a skilled manpower base. It is too early to tell if Jordan's economy over 1982 will be adversely affected by the political upheavals in Lebanon or whether the continuing hostilities between Iran and Iraq will damage the befty aid and grant inflows from Arab states, in particular from

Conversely, Jordan could profit in the short term from uncertainty in the Gulf, which, though possibly lowering official flows, could increase private capital transfers from the Gulf to more tranquil Amman.

The ambitious 1981-85 five-year plan is reasonably on line so far. The plan foresees a 17-percent annual growth in the industry and mining sector and a nearly 20-percent growth of exported goods and services.

Over 1981, exports increased by 41 percent to 242.6

million dinars, mainly from expanded exports to Iraq of light manufactured goods and food products. Trade with Iraq through Aqaba and overland has strongly stimulated Jordan's local light manufactur-

In 1981, phosphate production increased by 8.5 percent and the industrial sector should show a good increase in 1982 from the inauguration of the Dead Sea potash project and the export production from June 1982 of phosphate fertilizers.

The construction boom of 1980 leveled off in 1981 when its percentage of commercial bank credit dropped from 32 percent to 28 percent, or 201 million

In spite-of good results from exports, Jordan's trade balance has deteriorated through a vastly increased import bill totaling 1.056 million dinars, up 48 percent on 1980. Even if both the one-off, \$250-million aircraft purchase by the Jordanian airline Alia and the leaves for re-export to Iraq, Syria and Saudi Arabia: are taken out, the trade deficit was an unhealthy 374 million dinars.

The five-year plan calls for total investment of roughly \$10 billion, of which the government expects to source 60 percent locally and the rest from ou mainly from Arab sources. Observers' reservations about Jordan's ability to generate these funds are met with official optimism.

Jordan is heavily dependent on two main sources of foreign exchange, both possibly subject to political circumstances. They are Arab aid and grants and worker remittances, which together totaled around \$2.4 billion in 1981. Tourism and private foreign in-

vestment are other sources. Although there is a builish feeling that if one Arab state finds difficulty in meeting aid commitments, as did Algeria and Libya, others will come forward, the absolute volumes of Arab aid committed to Jordan represent an ever lower percentage of Jordan's import bill or of gross domestic product. Workers' remit-tances, though unlikely to decline for external politi-

cal reasons, depend on Jordan's domestic stability.

The expansion of the banking sector at the end of the 1970s and beginning of the 1980s has been a considerable success story, for which the Central Bank of Jordan deserves credit

It aimed to mobilize domestic savings and to direct more financial resources to the cash-hungry produc-tive sector. The effect has been an increase in longerterm deposits. In 1981, savings and time deposits were 68 percent of total bank deposits, showing a steady annual rise from the mid-1970s.

The central bank has brought this about by a series of measures, varying commercial banks' reserve re-quirements for different types of deposits, raising re-quired investments and lowering some statutory liqui-dity requirements. The bank has also varied the interest rate structures, gradually raising the rates for term

deposits.
The central bank has moved more directly in other areas. In mid-1981 it demanded that banks allocate 6 percent of deposits, except non-residents' foreign exchange deposits, to government or commercial bonds and 4 percent to treasury bills. By the end of 1981, the central bank and commercial banks held 113 million dinars in government bills and bonds, according to Said Nabulsi, the governor of the central bank.

Another activity stimulated by the central bank has been the development of a local syndicated loans market in Jordanian dinars. By February 1982, 82 million dinars of syndicated loans had been raised.

These loans, mainly for local corporate borrowers, have a double attraction. Being in local currency, they avoid foreign exchange exposure and are tied to an interest rate structure normally lower than the Euromarkets. The central bank has increased the pull of such loans by offering to rediscount usually 50 percent of a bank's share in a local syndication for the life of the loan.

The bank's decision not to issue further commercial bank licenses but to promote the setting up of invest-ment companies and other specialized institutions has been another stimulant.

The present three main investment companies, the Arab Jordan Investment Bank, the Arab Finance Corporation (Jordan) and the Jordan Securities Corporation, all set up in 1979, were effective in 1981 and an encouragement to others to apply for such a li-

Management Training Proves Key Challenge

(Continued from Page 9S)

find lecturers with professional credibility to banking ment after training needs considerable care to ensure participants get practical experience of their training. Shortages of middle and upper management are

worldwide in banking.
Gulf International Bank, of Bahrain, is after professional staff from no matter where. Khalid al-Fayez, the general manager, says, "We can absorb all the Arabs we can get, and more." GIB in 1981 had a net addition to staff of 70-75, of which 30 were key personnel. Mr. Fayez looks to recruit 100 more in 1982 from a current payroll of around 300. Of this 100, 80 will be professional. Arab Banking Corporation's senior vice president, Morven Hay, was explicit: don't train. We've been so busy we haven't had staff to spare for training." He noted that the design for ABC's new headquarters included a large training

Hitherto, Arab banks have mainly relied on the training programs of U.S. and British banks. Chase has also apparently scored with its traveling courses. ong which was one recently in Bahrain on computbanks, such as Union de Banques Arabes et Françaises (UBAF), Banque Fr et Internationale d'Investissement (BAII), or arranging management for technical assistance contracts.

Arab World and Aid: A Lesson in Cooperation By Richard W. Lombardi

A commercial street in Bahrain, important Gulf offshore banking center.

DARIS - Pierre Teilhard de Chardin, anthropologist, priest and mystic, noted at the twilight of his career that "what is decisive is not always where one is looking, but where one is looking from." This maxim, which deserves adequate reflection re-gardless of the nature of the object that one is analyzing, is particularly relevant when looking at the aid programs of Arab/OPEC nations, that is, the Arab members of the oil

The World Bank noted in its 1982 Development Report that six Arab/OPEC oil exporters will realize a current-account surplus of at least \$35 billion this year - Kuwait, Iraq (now a deficit country), Libya, Qatar, Saudi Arabia and the United Arab Emirates. This same group of countries accounted for nearly 70 percent of total world oil exports in 1981, compared to about 50

percent in 1974.

Meanwhile, the current-account deficit on non-oil developing countries will surpass \$90 billion by the end of 1982, against half this amount three years ago. The Interna-tional Monetary Fund has called recent deficits "unsustainable," although they contin-

It would seem, of course, that the rich are

getting richer and the poor poorer as a di-rect function of Arab/OPEC oil price in-creases. The assumption is that there exists a direct correlation between increasing oil reccipts in the Arab countries and growing poverty elsewhere. A brief review of Arab/QPEC concessional aid policy should shed interesting light on the issue at hand. The topic itself

remains a central one at most international aid forums, as was the case at the recent World bank meetings held in Toronto.

Are the Arab oil countries getting rich at the expense of the poor? When asking this question, one should remember that the Arab/OPEC states themselves continue to

be ranked as "developing countries."

The poor are getting poorer for a number of reasons only some of which are related to higher petroleum prices.

Firstly, the poor are getting poorer because of falling world market prices for pri-mary commodities, particularly tropical food products, such as coffee and cocoa, as well as most primary metals. The World Bank's Primary Commodity Price Index has dropped 22 percent over the past 18 months. Continued protectionist trade policy in

the West has compounded the problem. This is especially true regarding the local processing of raw materials and food products within the country of origin. The major importing countries in the North enjoy a near monopoly on "value added." Secondly, and most important, the poor are getting poorer because of high inflation

suppliers, the West. The prices of manufactured goods have led to oil price increases, not vice versa. Thirdly, deficit budgetary spending offset

by anti-inflationary monetary policy in most Western economies, has added a crippling impediment to Third World development. In addition to imported inflation, the cost

of foreign debt has nearly doubled in the course of 1981-1982. Interest payments on medium-term and long-term external debt exceeded \$45 billion in 1981 alone. The interest burden of non-oil developing countrics will exceed \$55 billion in 1982, that is, more than half the overall current-account deficit of the group of countries in question. In this instance, a poor country's current-account deficit represents a positive flow into the world's major capital markets, a sort of sweetener to budgetary deficit and ln other words, government-induced in-

flation in the West is not only robbing our parents (the people that produced the wealth) and our children, those who will need to pay for our mistakes, but also the children of others - that is, the children or the world's poorest.

Accordingly, foreign-aid responsibilities between the Western powers and the Arab/OPEC countries are at best shared ones. The Arab countries recognize this and seem to be doing more than their fair share in both percentage and aggregate terms.

At the start of the World Bank meetings

in Toronto, it was noted that between 1973 and 1981 Arab/OPEC concessional aid averaged 4 percent of cumulative gross national product.

The Western powers as a group have never reached the agreed targeted ration of 0.7, percent of GNP. The largest country, the United States, has had difficulty in surpassing 0.25 percent.

Arab aid contributions are even more imcome in the Arab world is approximately one-third that of the member countries of the Organization for Economic Cooperation and Development. Equally important, Arab/OPEC aid money has not been tied to corresponding exports as is normally the case with concessional assistance from the

Net disbursements of concessional assistance by Arab/OPEC countries reached nearly \$6.5 billion last year. The largest donors were Saudi Arabia (\$3 billion), Kuwait (\$1.2 billion) and the U.A.E. (\$1.1 billion). Quatar remains the most generous aid donor when measured against relative GNP. In 1981, Arab/OPEC Official Develop-

ment Assistance reached approximately 15 percent of world total.

Excluded from these figures are the increasing contributions that Arab States are making to the operation of the World Bank and the IMF. Unlike the United States, the Arab/OPEC countries have agreed to proposals for a doubling of the capital of the World Bank and to substantial increases in the leading activities of the International Development Association.

In May 1981, the IMF signed a loan agreement with the Saudi Arabian Monetary Agency under which the fund may draw up to SDR 8 billion from SAMA.

During the period 1981-1982, IMF standby and extended loan arrangements reached an historic high of SDR 11.3 billion. Without increased Arab/OPEC support IMF intervention would have declined at a time when the global financial system is riding on particularly rough waters.

Finally, the Arab/OPEC states now account for about \$4 billion, or 15 percent, of the World Bank's outstanding debt obligations. This compares favorably with the much larger economies of West Germany at 23 percent, the United States at 17 percent (Washington prefers voting shares only) and Japan at 16 percent.

global interdependence, the Arab/OPEC states are by no means on the outside looking in. They understand aid logic — as did the United States at the end of World War - and appreciate its consequences. As the OECD points out, the Arab/OPEC states are the only grouping of countries to rationalize their foreign assistance programs through standardization of disbursement procedures, project appraisal and loan ad-

Inasmuch as there are approximately 40 major donors participating worldwide in the "aid business" and something like 120 recipients it makes dollars and sense to coordi-

When one talks about economic cooperation, one cannot point the finger at the Arab/OPEC countries. The Arab world recognizes that economic cooperation is a twoway street. They also recognize that the world economic system is a one-planet en-terprise. The proof of such a statement can be found in Arab aid programs and in Arab attitudes toward the World Bank and the



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BANKING AND FINANCE IN THE ARAB WORLD

INTERNATIONAL HERALD TRIBUNE, OCTOBER, 1982

Bank Ownership in the Maghreb Arab banks/ Arab-Western consortia % share Banque Exterieure d'el-Diazair State-owner 100 Banque Nationale d'el-Diazair State-owned Credit Populaire d'el-Diazair State owned 100 Banque Algerienne de Developpement 100 Banque Centrale Populaire Moroccon povernment Banque Commerciale du Maroc Credit Industriel et Commercial Banque Marocaine de Commerce Exterieur Moroccon public sector 58 Banque Marocaine pour le Commerce et Banque Nationale de Paris Intercontinentale Moroccan shareholders Societe Generale Marocaine de Banques Societe Generale Moroccon Interests Tunisia Societe Tunisienne de Banque Tunisian government **Private Tunisian interests** Banque Nationale de Tunisie Tunisian government Caisse locale de Credit Mutue Societe d'Economie Mixte Source: MEED Financial Directory 1982. Shareholdings of less than 10 percent are not listed. This list includes only the larger commercial banks in the Middle East

Maghreb Nations Seeking to Diversify Trade, Attract Foreign Investment

WESTERN companies are taking an in-creasing interest in the Mahgreb, a part of the Arab world many have hitherto neglected, partly because of a tendency to regard it as

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the preserve of the French.
For their part, the Maghreb states — Morocco, Algeria and Tunisia - are making considerable efforts to diversify their trade

partners and attract foreign investment. In the 1970s, the oil states of the eastern Arab world were perceived as a region of opportunity; now, the Maghreb is also viewed as an area of growing business potential.

This summer, the Morrocan parliament ap-

proved a new investment code. Foreign investors are permitted 100-percent ownership of companies for the first time and will be entitled to remit all profits after tax to their home base. There are special incentives for job creation and for the location of ventures in new industrial zones

During the past few years, Morocco has succeeded in attracting foreign partners in joint ventures, mainly from France and Germany. It has also become a center for subcontracted work, particularly from European textile companies. Companies from Britain, the United States and Canada are stepping op investment

Morocco is anxious to boost exports. In 1981, the trade deficit was a record 10.3 billion dirhams, partly as a result of a disastrous drought that led to a 60-percent increase in food imports.

In April, the International Monetary Fund approved a \$580-million two-part loan to re-place a loan of \$800 million in special drawing rights - approved in September 1981 - that was canceled because of Morocco's inability to meet the cooditions. A combination of the

drought, a drop in the world price for phosphates and the depreciation of the dirham against the dollar was blamed. The war in the Western Sahara is also a constant drain on re-

The gross domestic product fell by 1.6 per-cent in 1981 to 31.86 billion dirhams at 1969 prices, the first drop since 1966. The balance of payments deficit was 447 million dirhams.

The energy import bill is of nightmarish pro-portions, and officials were heartened by the ocws early this year that natural gas and condensate had been found in a test well in the onshore Essaouira Basin. The well was part of an exploration project supported by a \$50-million World Bank loan.

The recent demise of synthetic fuel projects in various parts of the world has, however, cast doubt on Morocco's plans to exploit its vast oil

German companies are particularly active in Tunisia, and of the 300 export-oriented joint ventures, about 100 have German partners and 80 have French partners. Germany has overtaken France as Tunisia's main supplier of equipment.
Tunisia has two investment laws, one cover-

ing industries designed for the local market, which must be joint ventures, and the other applying to 100 percent export industries: Tunisia is to invest 8.2 billion dinars in its

sixth development plan, which runs to 1986 and aims for an annual growth rate of 6 per-cent. It is intended that 300,000 jobs should be Arab sources are expected to provide a third of external funding for the plan.

An interesting development has been the ar-

rival of joint venture banks set up with

Kuwait, Qatar, Abu Dhabi, Sandi Arabia and Algeria, with plans for a bank with Bahrain

The new banks aim to create machinery to identify, evaluate and monitor investment opportunities and to mobilize long-term funds.

The 20th anniversary of Algerian independence has coincided with a distinct loosening up of the economy. In July, the parliament ap-proved a joint venture law under which foreign companies will be able to take part in invest-ments with state companies, which will have majority control. Various tax incentives are

The aim is to attract technology as well as capital. Earlier in the year the government adopted a new investment code with guarantees and incentives for the private sector. It is hoped this will mobilize private savings, particularly from Algerians working abroad.

Another move aimed at mobilizing savings, this time in rural areas, was the opening June of the Banque de l'Agriculture et de Développement Rural. This will take over agricultural financing from the Banque Nation ale d'Algèrie and will provide farmers with long-term credit oo easy terms. The agricultural sector has been badly neglected and food import bills are soaring.

The government has become impatient with the tendency of many Algerians to keep their cash at home rather than use the banking sys-

In May, regulations were announced to encourage the use of checks. They included the use of checks and credit transfers by public bodies except to pay salaries of less than 2,500

2 Years of War Drain Iran and Iraq; Outcome Is Crucial to Gulf Neighbors

By Michael Ritchie

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TWO YEARS of war have severely drained the buman, material and financial resources of Iraq and Iran.

Iraq, deprived of its ability to maintain oil exports, has run itself into huge debt to sustain the war effort and keep up a steady pace of development

Iran, also suffering from reduced oil earnings but learning to live in a society far less alfluent than the shah's regime and with greatly scaled-down development ambitions, has whittled away its previous substantial currency reserves. Also, a great deal of badly occded money remains tied up in foreign accounts being used to settle U.S. claims.

The financial aspect of the conflict has already spread beyond the two warring countries. Saudi Arabia and Kuwait have come to Iraq's aid with generous loans, fearful of Iranian designs on exporting its revolution through-out the region. U.S. bankers say Iraq's Arab allies have committed about \$18 billion in

But the involvement of the Gulf countries could well become deeper, especially if Iran decisively wins the war, as has often seemed likely during 1982.

Among Iran's conditions for a cease-fire is the payment of war reparations, variously esti-mated at \$20 billion to \$150 billion. With Iraq hardly in a position to meet such claims, the burden would, in the event, probably fall on

The six member states of the Gulf Cooperation Council, the three richest members of which are Saodi Arabia, Kuwait and the United Arab Emirates, have total foreign assets in

excess of \$300 billion.

More important to the leaders of Iran and Iraq are the vast funds that will be occided to rebuild housing, infrastructure and key instal-lations. Iran, for example, plans to rebuild completely the border town of Hoveyzeh, razed to the ground by retreating Iraci troops in May 1982, and may also have to do the same for Qasr-e-Shirin, oear Kermanshah. The means of financing this reconstruction

will pose problems for both sides. The oil market remains weak. Iran keeps exports at about one million barrels a day largely. because it cannot find buyers for much more. And Iraq's Oil Ministry has announced that it is likely to be up to two years after the end of the war before the country can return to an export capacity of I million barrels a day.

It seems likely that when the war finishes, and providing there is some guarantee of relative stability, the world commercial banking community will have a role to pley in lending for reconstruction. Iraq is the most likely to tap the Euromar-

kets, possibly through private placement at

The country has a solid financial reputation, as shown by its last foray into the Euromar-

kets. That was in 1978 when the central bank renegotiated a standby credit agreement, It carried a spread of 1/2 percent above the Lon-don interbank offered rate (Libor), putting lraq in the same borrowing group as industrial nations and leading international corpora-

Iraq's path to the Euromarkets would probably be through Arab banks, likely to offer more favorable terms than others. Once a good market position was established, it would hope for terms at least as good as those obtained by Libya in late 1981 when a \$250-million loan carried a spread of 4 percent above Libor for

seven years, including three years' grace.

Among the Arab banks that could take the lead in syndicating a loan for Iraq are Union de Banques Arabes et Françaises, which led the 1978 credit and in which Iraq's Rafidain Bank has a 10.76 percent share, and Gulf In-ternational Bank, in which the government of

lraq has a 14.3 percent holding.
lraqi authorities have already been seeking
new methods of financing large construction

projects.

Contractors bidding to build the first stage of the Baghdad-Basra railway were asked in mid-1982 to submit a bid on supplier credit terms as an alternative to the straight cash bids being prepared. A West German delegation to the Iraqi capital was told that the practice of paying in cash, which has been oormal in Iraq, could not continue in the same way and that Iraq boped for understanding from its international trade partners.

In spring 1982, Iraqi President Saddam Hussein announced a period of austerity, urging the public to economize and thereby cut imports, and said that spending in the contracting sector was to be rationalized.

A Baghdad official said, "At present we are not inaugurating oew nonurgent projects, but contracts are still being awarded, with priority going to the repair of war-damaged installa-tions and other war effort projects."

Taych Abdul Karim, the oil minister, said, We are going ahead with all projects that have been signed for or are under implementation, but we have suspended the projects that are in the feasibility study stage or have not yet been officially signed for."

Several companies had contracts frozen at the letter of intent or signature stage but have been told that they will be compensated for inflation once projects have been revived. One contractor was told to return in six months to discuss one project, and in a year to discuss a

In mid-1982, it was reported that Iraq was withdrawing yen deposits held in Japan to help meet the cost of the war, although the total sum was probably less than \$100 million.

In a seemingly nonchalant gesture, Iraq and Brazil set up a joint venture bank in Rio de Janeiro in March 1982. Banco Brasileiro-Ira-quiano, capitalized at \$17.5 million, was formed to attend "the needs of the growing trade, to strengthen and increase economic co-

lrag's financial reserves have fallen from about \$18 billioo in early 1982 to a present level of probably less than \$10 billion.

The war's toll on human resources bas also been great. An estimated 20,000 to 30,000 troops have been killed in action while many thousands more have been taken prisoner. About 12,000 men surrendered when Khorramshahr was recaptured by the Iranians earli-

er in the year. Iran, too, has expended large amounts of cash on the war and lost many people.

Unlike Iraq, it is unlikely to tap the finan-cial markets for some time because of the Islamic revolutionary government's distaste for Western banking methods, Iran's post-revolution relationship with Western banks has been turbulent and the response to an Iranian loan syndication would probably be embarrassingly small, and the interest rates unattrac-tively high.

Iran seems to have met the challenge of the massive reconstruction program confronting it by a radical change in trading patterns and partners. Several commercial deals have been reached in recent months with East European, Third World and Islamic nations, often tovolving a barter of Iranian crude oil in exchange

for goods or services.

This switch in trading partners has been achieved largely at the expense of Western countries, formerly deeply involved with the shab. Trade with the United States is negligible, and France, which bas given refuge to the exiled former president, Abolhassan Bani-Sadr, is no longer welcome in Iran. West Germany has seen its trade volume fall, although

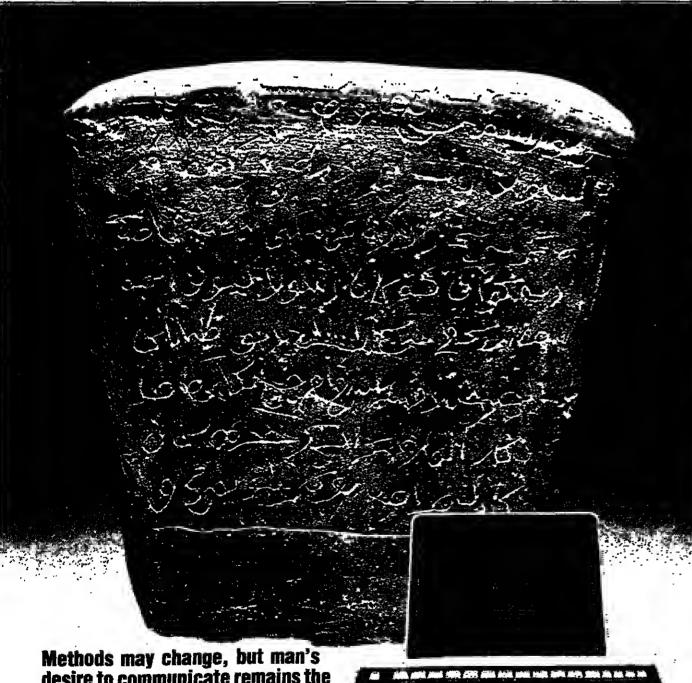
Japan is still very active.

A mid-1982 breakdown of expatriates working in Iran showed there to be about 2,000 Italians, many of them working at the Bandar Abbas port development; 1,000 West Germans and 1,000 Japanese. The number of Britons was about 25 and there were about 15 Dutch staff. The number of East European and Sovi-et technicians is believed to be about 2,000.

Self-reliance is a priority of the Tehran government, and although some foreign expertise will continue to be needed, skilled expatriate staffing is unlikely to return to pre-revolution levels of more than 150,000. Iranian resilience in keeping its economy

from going under has defied the predictions of many observers. When Ali Reza Nobari, the former governor of Bank Markazi, the central bank, fled into exile in late 1981, be gave the Tehran regime only a matter of mooths before economic coo-

ditions forced its collapse. Equally confounding to its critics has been lraq's determination to press ahead with ambitious and costly development projects during a period of financial hardship, and the ability of President Hussein to remain in power despite severe setbacks in the military field.



desire to communicate remains the

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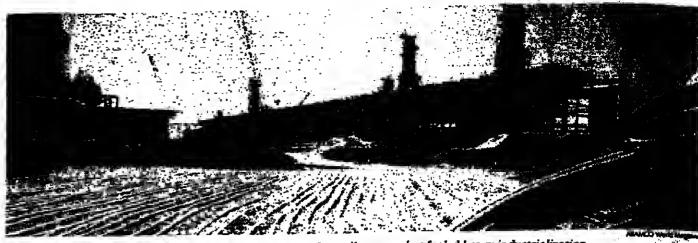
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BANKING AND FINANCE



SAUDI ARABIA: A construction site in Saudi Arabia, where oil revenue has fueled heavy industrialization:

Saudi Clampdown on Moneychangers Limits Them to Currency Exchange

By Susannah Tarbush

THIS HAS been an eventful year for Saudi banking. Last December new regulations were published imposing strict controls on the activities of moneychangers. Although an official clampdown had long been expected, the toughness of the new measures took many by

Moneychangers have operated in the Arabian peninsula since ancient times and today of-fer a range of services going far beyond currency exchange. They include accepting depo-sits, placing funds abroad, dealing in stocks and shares and providing services related to construction and property.

The moneychangers cannot deal directly with the Saudi Arabian Monetary Agency and are not subject to its regulations. Their small staffs, low overheads, large number of branches even in remote areas and willingness to op-erate outside normal banking hours have en-abled them to provide a highly efficient and

competitive service. It has been estimated that their assets are equivalent to around a quarter of the total as-sets of the commercial banks. The most important of the moneychangers is the Al-Rajhi Company for Currency Exchange and Com-merce, created by the four Al-Rajhi brothers in 1978. It has paid-up capital of 600 million Sau-di riyals and 170 branches.

Under the new regulations, the money-changers will have to restrict their business to

currency exchange.

They will have to keep a proportion of their assets as reserves, some of which must be deposited interest-free with the Saudi Arabian Monetary Agency, and their balance sheets will be subject to checks by the agency. No new licenses are to be issued, and the holders of existing licenses must resubmit them for of-

The moneychangers have until the end of the year to stop taking deposits. It is intended that the process of climinating the money-changers' business not directly related to currency exchange will be completed by the end

Fresh controversy over the role of the moneychangers broke out in July when the Saudi authorities forced the Damman-based Abdullah Saleb al-Rajhi Establishment to stop its activities. After heavy losses in speculation in gold and silver dealings, the company had failed to pay international debts said to total

The affair was a considerable embarrassment both to the Saudi government and to the Al-Rajhi Company for Currency Exchange and Commerce. This has long dissociated itself from Abdullah al-Rajhi, whose father is one of the four brothers who created the original Al-

The Saudi banking community has wel-comed the authorities' decisive move against the moneychangers.

Bankers have long complained that they were put at a considerable disadvantage in relation to the moneylenders by the strict con-trols on banking. Deposits are limited to 15 times a bank's capital base: 50 percent of any excess must be deposited interest-free with the monetary agency. Lending to any one borrower must be within a calling of 25 percent of a bank's capital and reserves.

It is thought that the Al-Rajhi Company for

Bank Ownership in Saudi Arabía

N-Bank Al-Saudi Al-Frans

Areb National Bank

ce: MEED Financial Directory 1982, Sharehol ercial banks in the Middle East,

The controls on the moneychangers are a sign of the growing mamnity of the banking m, with the formal system now increas ingly able to deal with the demands of the

United Saudi Commercial Bank from the three remaining foreign banks in Saudi Arabia, Bank Melli Iran, Banque dn Liban et d'Outre Mer and Pakistan's United Bank.

Each of the three foreign banks and the London-based Saudi International Bank (owned 50 percent by the monetary agency) will have 10 percent of the shares with the other 60 percent held by Saudi nationals.
The bank's capital will be 250 million rivals.
The process of Saudi-ization started in 1976

with the creation of Bank al-Jazira, owned 35 percent by the National Bank of Pakistan and

ercent by Saudi nationals and 40 percent by the foreign bank in question. They are Al-Bank Al-Saudi Al-Fransi (with Banque de l'In-Bank Al-Saudi Al-Timbs (with banque de l'in-dochine et de Suez as the foreign partner), Al-Bank Al Saudi Al-Hollandi (Algemene Bank Nederland), the Saudi British Bank (British Bank of the Middle East), Saudi Cairo Bank (Banque du Caire), Saudi American Bank (Ci-tibank) and Arab National Bank (Arab Bank

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with the new measures by obtaining a commercial banking license.

kingdom's fast-paced economy.

The Saudi-ization of the banking sector will soon be completed with the creation of the

65 percent by Saudi nationals.

The other Saudi-ized banks Limited).

Commercial banking is still dominated by the two 100-percent Sandi-owned institutions, the National Commercial Bank, the giant of the kingdom, and Riyadh Bank. But they are facing increasing competition from the former-ly foreign-owned banks, which have been able to increase their capital and set up new branches as a result of Saudi-ization.

The growth and increasing sophistication of Saudi banks has been reflected in a marked increase in their activity on the domestic and international levels this year. According to figures prepared by the Middle East Economic Survey, an authoritative Nicosia-based magazine, Saudi-owned banks lead managed 24,3 percent of Arab syndicated lending on the mternational market in the first seven months of the year, compared to only 11.9 percent in the same period of 1981.

The National Commercial Bank alone had a 10.2-percent share of the Arab total and was in third place in the list of Arab banks in the international market, Saudi American Bank and Riyadh Bank were newcomers to the market in ninth and 17th places respectively, and the Sandi International Bank was sixth.

Within the kingdom, Sandi banks accounted for 62.4 percent of the total \$2.8 billion publicated markets and markets are publicated.

cized syndicated loan and guarantee market between January and mid-Angust, according to the Middle East Economic Survey, The awarding of major contracts has created a great demand for guarantees, including bid. performance and advance payment guaran-

tees, each flow funding and project finance.

A number of syndications have been made on behalf of local compa creasingly active in construction, industry and services. Turkish and South Korean companies involved in large construction projects have also been prominent in this year's list of bor-

Despite recent developments, Saudi banking faces a number of challenges. A serious problem is the lack of manpower

which is slowing efforts to transfer mana ment to Saudi hands, a process that is essential for a true Saudi-ization of the system.

Although banks have been setting up not-works of new branches, there is still a shortage, particularly outside the main centers.

The complexity of the Saudi economy means that banks must constantly refine and

add to the repertoire of services they can offer

a wide range of clients.

They will also be expected to increase kinding to the producing sectors, agriculture and industry.

Healthy Income Expected for Libya Despite Problems of World Oil Surplus

By Geoffrey Weston

T IKE OTHER OPEC members, Libya is suffering an economic draft as a result of falling oil revenues but not as cold a one as the many critics of Col. Moamer Qadhafi's regime

would like to make out.

Income from oil is unlikely to exceed \$10 billion this year, compared with \$15.7 billion in 1981 and \$22.6 billion in 1980 — but still very comfortable for a population of only three million. A freeze has been imposed on new contracts and on non-essential imports, which means that present imports are only one-sixth of their level in 1980. Major casualties have included the \$500-million new town at Marsa el-Brega to house 45,000 workers and the plan to convert the town's chemical, petro-leum and engineering college for 600 students into a university for 10,000 to 12,000. Both projects are delayed indefinitely. The Central Bank of Libya has said that the

country's foreign debts total \$2.3 billion, although they could be much higher. Italy, the most important trading partner, has led a queue of creditors clamoring for payment of Libyan debts, which have been causing anxiety since last October.

Roughly two-thirds of Libya's debts to the West should have been paid by August 1, but instead of imposing a credit squeeze the colo-nel has given preferential treatment to important purchasers of Libyan oil who did not reduce their orders during the oil glut. Austria. the only Western country to have welcomed the Libyan leader on an official visit in recent years, and West Germany have both been paid

On a visit to Rome in May, however, Maj. Abdel-Salem Jalloud, the Libyan prime minis-ter, refused to settle his country's debts unless Italy resumed purchases of Libyan oil. The Italians had balked at Libya's insistence on \$40 a barrel, but have been increasingly concerned because Libya is their fastest growing market and only 16 percent of their business there is covered by export insurance.

Reluctantly they have agreed to resume lift-

ings of 100,000 barrels a day but at market rates and in return for Libyan promises to pay \$50 million immediately and then about \$80

million a month for six months toward the debt of \$622 million.

Other moves have been made to clear overdue debts to Turkey and Cyprus after discussions over part payment in oil, but Spain angrily suspended payment of \$230 million for its Libyan oil imports and the French export credit agency Coface has suspended further guarantees on Freach sales to Libya because of the lear delays in payment. of the long delays in payment.

Tripoli continues to disregard the quota of 750,000 barrels a day agreed to at OPEC's ministerial meeting last March, underlining the organization's failure to agree on new quotas at its emergency meeting in Vienna in July.
According to the authoritative Middle East
Economic Survey, Libya is planning to produce 105 million barrels a day in the second half of this year.

November and Mobil's more recent attempts to sell its operation there were minor setbacks since many of the smaller oil companies rely on Libyan oil. Neither the two giants nor the U.S. ban on all imports from Libya have dimmed Col. Qadhafi's enthusiasm for his am-

hitious five-year plan (\$62.5 billion by 1985).

Fits economic policy is set out in "The Green Book," an all-purpose, homespun philosophy, which he regards as "the way of salvation." A bizarre and sometimes dotty approach to socialism, laced with a dash of later it stresses the need to distinct the set of the salvation. Islam, it stresses the need to eliminate the exploitation of man ("partners, not wage-workers") and the need for direct participation in running the country through "people's com-mittees," which replace conventional forms of

Every adult, in theory, has a right to a say in every decision, from appointing a school care-taker to fixing the national price of oil. People's committees are "advised," however, by revolutionary committees who take their orders from the colonel. The system breeds less corruption than might be expected, but confusion, wastage and inefficiency are rife.

Not everyone enjoys being a grinea pig in a great social laboratory, particularly the dwindling middle class, whose capital has been largely confiscated, and the young men, who

The negative aspects of Libyan society, novertheless, cannot conceal the country's huge economic advance since Col. Qadhafi over turned the monarchy in the revolution of 1969, even though it was the oil price rises of the 1970's rather than political theories that provided the means. The remarkable shrinkage in the gap between rich and poor can be seen by any casual visitor to the country. Most Libyans own their own home, car, television set and refrigerator.

A complete range of social services, free ed acation to university level and care for the aged are some of the most impressive achieve ments. Fifteen years ago Libya was one of the world's poorest nations, but so much affluence in so short a time has bred insolence among the under-20-year-olds, who form two-thirds of the population, have no memories of the days of poverty and little motivation to work.

Large factories have been turning out good at uncompetitive prices, but belt-tightening seems to have given the Libyan leader second thoughts about large investment in heavy in dustry. New emphasis is now given to light industry and agriculture and reducing dependent

ence on foreign workers. Only the fertile coastal strip is suitable for agriculture, which is intensively farmed, but the drive for self-sufficiency in food has resuled in impressive expanses of cereal crops and sheep pastures deep in the western desert.

achieved at grossly uneconomic cost.

Economic realities and the widespread by
cott that scuttled the Organization of Africa Unity summit conference that was to have mo Qadhafi's isolation and encouraged him.

seek closer ties with his neighbors. Western investors and businessmen have at the same time been shaken by the persistent political and economic pressures imposed thin by the Reagan administration. They well aware that unseating the world's most and the world's most are the wor predictable head of state could turn Libya into Moscow's lap and deprive them of the crative markets on which they depend

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VANCE IN THE ARAB WORLD



In Amman, Jordan, a sign for the Jordan Islamic Bank goes up.

Arab Governments Playing Key Roles In Growth of World Banking Networks

THE GROWTH in revenue caused by the rise in oil prices has encouraged the establishment of an Arab banking industry that is in the process of building up a

The fact that oil revenues accrue to governments - and, to some exat, because of the lack of other local resources in many oil-pro-ducing countries — has meant that governments have played a particularly important part in stimulating this banking growth.

In most Arab countries the government is an important shareholder in the local banking community. Even in countries where the government is keen to encourage the growth of private sector enterprises the state has invariably played a central role in developing and establishing banks.

In Kuwait, for instance, the greenment is a major shareholder in the two smaller commercial banks — the Bank of Kuwait and the Middle East and Burgan Bank. A new international bank now being planned in Kuwait, to be named Kuwait International Bank and to have a capital of 300 million Kuwaiti dinars, will have a large government shareholding and is being set up on government initiative. In the United Arab Emirates,

the government is the major share-holder in the largest local bank, the National Bank of Abu Dhabi.

Even in Saudi Arabia, where private Saudi investors hold the mavate Saudi investors hold the ma-jority of bank shares, the Saudi Arabian Monetary Agency holds a 38-percent share in Riyad Bank, the nation's second largest com-mercial bank. In Bahrain, the government is the largest single share-holder in the National Bank. In the Socialist Arab states - Algeria, Libya, Iraq, Syria and South

Yemen — the government is, of course, the sole shareholder in all the major commercial banking in-In an area like the Middle East, where the establishment of stock markets and joint stock banks is a relatively recent phenomenon, family ownership has always

family ownership has always played a key part in the region's banking insultinuous. The order commercial banks in the areas that have not fallen prey to nationalizder the aegis of a single family or group of families. The largest and oldest commer-

cial bank in Saudi Arabia, the Jeddah-based National Commercial Bank, is majority-owned by the Bin Mahfouz family who fill the key management positions. MemSaudized foreign banks, which had 60 percent of equity sold to Saudi nationals, particular families have important stakes.

The Shoman family, which founded Arab Bank in Jerusalem in 1929, remains the single most important shareholder in Jordan's largest bank.

In most of the newly rich oil countries that allow private ownership the better established trading families have been quick to move into banking as the boom in financial services has gathered pace. The Kanoos in Bahrain, the Kharafis and Marzougs in Kuwait, the Olayans and Ali Rezas in Saudi Arabia are just some of the more prominent examples.

Foreign banks have also layed an important, aspert diminishing, role in bank ownership in the area. Gradually, the governments that still allow a foreign banking presence have sought to ensure that more of the local retail banking business is done by local institu-tions. In Saudi Arabia, all foreign commercial banks have now been Saodüzed. In Kuwait, no foreign commercial banks have been per-mitted to have branches since the early 1970s. In the UAE, foreign banks with commercial bank branches have until 1983 to cut down their affiliates to eight branches. In Egypt, a question mercial banks with large foreign

in commercial banks for some time not seem that far off. to come, as it will be some years

bers of the Sharbatly family are still major shareholders in Riyad trained local bankers to take over the full running of local banking the full running of local banking

In Bahrain, the area's banking capital, foreign banks will most probably always constitute a large part of the offshore banking activity and will also continue to make up a bigger section of the commer-cial banking market than else-where in the Arab world. Out of a retail banking community of 19. there are only three local banks.

The Arab banks themselves also hold numerous shares in banks outside the area. There are several well-established Arab-Western consortiums in London, Paris, Frankfurt, New York and other important Western financial centers. The Union de Banques Arabes et Françaises (UBAF), Saudi International Bank, Banque Arabe et internacional d'investissement (BAII), Allied Arab Bank, European Arab Bank and Arab Latin American Bank (Arlabank) are some of the better known consorti-

There have also been one or two purchases of Western banks by Arab groups, such as the Arab Banking Corporation's purchase of a majority stake in the Frankfurt-based Richard Daus & Co. earlier

As Arab banks become more international so the web of ownership becomes more complex. There is little doubt that there will soon areas more remote from the Midshareholdings. dle East in the coming years, and However, foreign banks will re-investment in the Far East, Latin main important minority partners America and even Australasia does

Caution Marks Expansion In World Financial Markets

(Continued from Page 9S)

handled out of bank head offices in the area, but international syndications are a different matter. While Bahrain has built up quite a reputation for regional syndica-tions. Most of the truly interna-tionally active Arab banks have a London office for international syndications.

al Bank, the two big Arab Euro-market banks, keep their top syn-dication men in Bahrain. Both are owned by Arab governments, which are no doubt keen to build up Bahrain's reputation as an international center for loans syndications. An increasing number of syndications and signings for loans to companies not connected with the area do now take place in Bahrain. Recent loans for the Jap-anese consumer finance companies Promise and Takefuji are cases in point.
Far fewer Arab international

banks are active in the bond markets. Nonetheless, the larger Arab banks have begun to carve out niches for themselves in this field. Both National Bank of Abu Dhabi and ABC have wisely set about making a name for themselves in FRNs have proved increasingly popular as interest rates have become more volatile.

The Kuwaiti investment banks international bond market. The longer it is prepared to 80 on pro-Kuwait Investment Co., the viding market participants with Kuwait Foreign Trading, Con-tracting & Investment Co. and the

Kuwait International Investment Co. have considerable placing power and often appear as the only Arab managers of an interna-tional issue. The trio has also pioneered the only local currency bond market of any size in the Middle East, the Kuwaiti dinar bond market

Kuwait International Investment Co. and its affiliate, the Arab It is interesting to note, however, that ABC and Gulf Internation have pressed on trying to develop the market despite adverse circum-

> The Kuwait dinar bond market has suffered from local political pressures. The market was closed at the outset of the Gull war. It has also had low coupons — never as high as 13 percent — despite high international interest rates avail-able to investors, and a dinar that is closely used to the dollar. This means punters prefer to arbitrage their KDs for dollar investments rather than by KD bonds. The main players in the market are, therefore, the three "Ks" them-selves and the insurance companies and public institutions that

have some access to cheap KDs.
The market remains very popular with borrowers as the KD issues have offered effective access to cheap dollars. The Oesterrethe floating rate note market, ichische Kontrollbank is just the most recent in a string of blue-schip borrowers in the KD bond market. The market does represent The Kuwaiti investment banks a substantial opportunity cost for — the three "Ks" — are some of the Kuwaiti government, and it the oldest banks in the area in the will be interesting to see how much

SUSANNAH TARBUSH is on the staff of the Middle East Magazine.

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JOHNNY RIZO, whose article on Beirut appeared in part I of this special supplement, is a member of the economics department of Lloyds Bank Group in London. He was incorrectly identified as a member of the staff of the Middle East Economic Digest.



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Year	1977	1978	1979	1980	1981
B/S Total	- 176,018	276,749	353,524	463,560	606,388
Deposits	151,114	231,071	284,854	380,932	511,479
Advances	42,700	134,551	210,966	246,945	304,769
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Agriculture, Financial Services Get Priority in Syria's 5-Year Plan

By Michael Frenchman

SYRIA'S LATEST five-year plan, which was implemented this year after several delays, is more realistic in its approach than those of most centrally planned economies.

Grandiose plans have, in the main, been set aside or else efforts are concentrated on completing projects scheduled in the previous plan. Total anned investment by 1985 is put at 101 billion Syrian pounds, with the largest shares going to agricultural development and financial services, followed by manufacturing industries, communications and power generation.

Syria is one of the non-oil rich countries but it is virtually self-sufficient and on the verge of be-coming a net exporter although the total output of crude has fallen from 10 million tons in 1976 to a little more than 8.6 million tons last year. However, the latest finds by Marathon Petroleum in its concessionary area near Homs may in time give a slight boost to the oil position.

The economy is suffering from the strains of a substantial defense expenditure, which has mounted with the Lebanese-Israeli conflict. Inflation has been rising sharply since 1980 and, ac-cording to some forecasts, will almost certainly top last year's 20 percent.

Kamal Sharaf, minister of state for planning, is clear about his aims and policies and is deter-mined not to fall in the same traps that beset many planners. "We know from examples in the oing world that the obstacles and difficulties facing planners tend to cloud the real issues and become more important than some of the industrial developments themselves, the minister noted in a recent interview. He wants to try to remove the stop-go cycle of investment and growth and to create a little more order and discipline, which might allow for the vagaries of the weather and possible ill-effects on harvests.

Mr. Sharaf is one of the younger breed of academic technocrats who are becoming more com-mon in the Middle East. He sees the latest plan as only part of an economic strategy that will take the country's development forward until the end of the century. He is also a firm believer in the continuing advance of Socialism through econom-

Most of the investment under the new plan, about 80 million pounds, is destined for the public sector, particularly roads and other communications. Mr. Sharaf feels that the private sector needs "shock" treatment to increase productivity.

Investment for the private sector amounts to 20 millinn pounds. Foreign aid and financing is still element and to some extent a useful cushion. In practice it will be a good deal more than the planned figure indicates as operational costs are not taken into account. Much investment for agricultural projects is coming from international agencies like the World Bank and various United Nations development funds. The World Food Program has committed about \$106 million to six major agricultural and irrigation

Following the Baghdad Arab summit meeting in 1978, Arab aid to Syria has risen sharply and now totals more than \$1.5 billion annually. There

is also about \$2 billion of U.S. aid still in the pipeline. Other funds are coming from a number of East European countries.

The 1982 budget, which calls for an expenditure totaling 33.3 billion pounds, has an investment allocation of 16.5 billion pounds, about 2.5 billion pounds more than the previous year. But more than 50 percent of the budget, nne of the highest allocations in the world, accounts for defense and security.

The country's overall balance of payments posi-tion has varied considerably since 1975 owing to the effects of Arab aid. Generally speaking, imports have been running at roughly twice the level of imports. The latest accurate full-year figures show a trade gap of \$2.3 billion in 1980, and provisional estimates for 1981 suggest a further increase in the trading deficit.

Remittances from the estimated 400,000 Syrians working abroad are an important element in the external financial position. One of the innovations introduced last year by the central bank was a two-tier exchange system of the Syrian pound against the dollar. The object has been to try to eliminate the flourishing black market in foreign

Following the new measures, which came into force in April last year, there is now an "official rate" nf exchange set by the central bank and a "tourist rate." This meant an immediate increase in the amount of remittances received from the overseas workers.

The banking system in Syria is tightly controlled by the central bank since nationalization more than 20 years ago. Today, there are five spe-cialized banks whose basic function is development finance across a wide spectrum from agri-

culture to housing. A radical development expected to take place this year was the formation of a joint Syrian-Jor-danian Bank in Damascus. The plan, which has met with some opposition from Syrian bankers, is now reported to have been put in abeyance due to

further last-minute problems. The Agricultural Cooperative Bank, founded during the days of the Ottoman Empire, is the major source of rural credit and operates the widest network of banking services. Interest rates for loans have been generally running at about 6 percent for cooperatives and 7.5 percent for indi-

The Real Estate Bank, which was formed in 1966, finances housing and tourism projects, as well as schools and hospitals. Both loans and deposits have been increasing rapidly over the last two years. The current plan calls for the construcof more than 300,000 homes and 30,000 school classrooms. Investment in the construction industry is forecast to rise at an annual rate of 7.9

Formed in 1973, the new industrial bank will be playing an increasingly important role in helping to finance and develop new industrial and manu-facturing capacity in both the private and public sectors. The Popular Credit Bank, which has a capital of about 3 million pounds, provides loans for smaller cooperatives and individual en-

percent until 1985.



VIEWS OF YEMEN: Left, a moneychanger near Saada; right, Tahrir Square in Sana'a.

Both Yemens Would Benefit From Gulf Stability

THE JOINT initiative launched in August by the presidents of North Yemen and South Yemen to try to resolve the Lebanese crisis, during which they flew together to a number of Arab states, reflects the extent to which relations between the two states have

South Yemen has also been mending its fences with the monarchies in the area, nota-bly Saudi Arabia and Oman. If the good will remains and stability increases in the area, there will be considerable benefits to the economies of the Yemens, which are among the poorest countries in the Arab world. The gross national product per capita of both countries in 1980 was around \$425.

The two countries have followed very dif-ferent economic paths but both are modifying their policies. In North Yemen, where the government has been traditionally weak, efforts are being made to improve central planning. In South Yemen, on the other hand, there has been a partial loosening of the grip of the government on the economy and a liberalization is moving in.

Both countries are heavily dependent on foreign aid, whether in the form of bilateral assistance or from bodies such as the Arab Development Fund and the International Development Association.

Partly because of its strategic position, North Yemen has succeeded in attracting aid from a wide variety of sources. At the jamboree held in Sana'a in April, potential

over the draft 1982-1986 second development plan. Not only were the Saudis, Iraqis and other Gulf Arabs there in strength but representatives of the Soviet Union, United States Agency for International Develop-ment, the Saudi Arabia Industrial Development Fund, the European Community and

the World Bank also pledged aid. There is considerable skepticism over whether the plan can meet its targets. Investment is to total 29.3 billion riyals, of which 52.9 percent is expected to come from foreign sources. The target annual growth rates are 7 percent for GDP, 4.8 percent for agriculture, 14.5 percent for manufacturing, 25 percent for electricity and water, 6 percent for wholesale and retail trade and 8.1

percent in financial institutions.

Agricultural performance is crucial, with agriculture accounting for 37 percent of GDP in 1980-1981 and employing nearly 70 percent of the work force. In the first plan 1977-1981), its annual growth was a discouraging I percent, against a target of

It is hoped that the Agricultural Credit Bank, a recently created cooperative, will play a significant role in stimulating the agricultural sector. The hank was formed by the merger of the Agricultural Credit Bank. whose capital was increased from 100 mil-lion to 200 million rivals, and the Coopera-

Much is also expected of the Industrial Bank of Yemen, which, between July 1980 and the end of 1981, lent 30.5 million rivals to 22 industrial and handicraft projects with a total investment of 162 million rivals. The bank received a loan this year of 4 million Kuwaiti dinars from the Kuwait Fund for Arab Economic Development, and in 1981 was loaned \$12 million by the World Bank.

Remittances from workers in Saudi Ara-bia and other oil states have played a major role in the economy since the mid-1970s, when they totaled around \$1.4 billion a year. They helped fuel a massive increase in imports of consumer goods, however, which represented 61 percent of all imports by the end of the first plan.

Remittances have dropped in recent years and are thought to be running at about \$1 billion or less annually. The plan aims to keep the rise in imports to only I percent a year and calculates that the total accumulated deficit on the balance of payments for the second plan period is expected to reach

15.5 billion riyals in the plan period. South Yemen's economy was dealt a savage blow by floods in late March. The floods killed 500 people and left 10,000 fam-ilies homeless. The agricultural areas to the north and east of Adea were devastated, as datus and fields were destroyed. Damage was estimated at \$1 billion. The IMF has

lent around \$17.5 million to help with balance of payments difficulties caused by the floods, and emergency and reconstruction aid has been received from a number of

sources . But there are hopeful signs this year the discovery of "important shows" of high-quality light oil in the offshore concession of AGIP, the subsidiary of ENI, Italy's state hydroearbons concern. Moreover, BRASPETRO, a subsidiary of Brazil's PETROBRAS, was granted a 42,000-squarekilometer concession this year. It is still possible that oil may transform the economic prospects of the Yemens.

There have been reports that South Yem-

en and Moscow are going through a period of mutual disenchantment. Meanwhile, the past two years have seen a attempts at liberalizing the economy in order to increase pro-duction. Two public companies previously had the monopoly for distribution of vegetables, fruit and grain, but a law was passed permitting peasants to sell up to 40 percent

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of their production on the free market. In another move, the People's Supreme Council ratified a law last February to encourage investment by overseas South Yemenis, other Arabs and foreigners. The law allows for tax holidays of up to five years, guarantees against nationalization and the right to export profits. Priority is being given to joint ventures with the state.

Profile of a Palestinian: Success in European Investment

By Pamela Ann Smith

IKE MANY of his kinsmen, Palestinian-born Hikmat Nashashibi has had to make a new life. But unlike many others he has managed to build an impressive new life and identity for himself in London where he now heads one of the most innovative investment

companies in Europe. Born in Jerusalem in 1943, he

settled in Lebanon with his family in the late 1940s. There, with the help of relatives, he managed to complete a degree in business administration at the American University of Beirut and to find work as an assistant to the chairman of the Lebanese Stock Brokers Association.

In 1966, he joined the Kuwait Chamber of Commerce and Industry where he headed the emerging oreign trade department.

The experience gave him a lasting respect for private enterprise and an unshakable faith in the free market system. Even now, when gloom and doom reign supreme in c Mr Nashashibi is confident that the "invisible hand" will set all right.

He said, "Arab surpluses may be eclining. But people forget about the other side of the equation.

"Demand, I think, will decline too. Countries are borrowing for balance sheet restructuring. They can't go on with this forever.

"In the corporate sector, in the U.S. and U.K., lending will drop. What you are really talking about is a contraction on both sides." Mr. Nashashibi feels that banks

and investment companies like his own Al-Mal Group, rather than lonking to governments for assis-tance, would do better to respond

Insurance Industry

(Continued from Page 9S)

defects developing in the first 10 years of a building's life. Egypt has always had it, UAE legistlation on it is pending and it has become part of the insurance of certain government contracts in Sand government contracts in Saudi Arabia. In July 1980, the Middle East Decennial Insurance Pool, known as Medip, was formed to provide technical guarantee insur-ance of up to \$60 million on any one building or plant

one building or plant.
The problem of fraud, rampant in the seventies, has diminished with the better regulation of ports in the Middle East, where in the past ships could be kept waiting to offload for months. Rocketing oil prices led to a huge influx nf imports, which ports were not equipped to handle. The resulting fraud usually involved owners of single ships (often old, aprly named "rust buckets" or "tin pots" by the insurance trade.)

Owners would take on high-val ue cargos, set sail for a given desti-nation but sell the cargo short, off-loading it elsewhere and pulling out the plug when the empty vessel had sailed out to sea. Claims were then made on the cargo and on the vessel. Underwriters have now learnt to spot likely vessels by the claim record of the owners. Sandi Arabia has legislated against them by refusing to accept imports from any vessel over 15 years old.

Cases now are rarely on as large

a scale as that of the Shell tanker Salem, which was scuttled off the Scnegal coast in January 1980 after offloading its cargo of crude oil in South Africa. But smaller instances come to light regularly.
There's a Greek vessel, the Patmos. now en route for the Gulf, which for three months this summer went into limbo" on the high seas (the Mediterranean) because its charterers disappeared. And goods belonging to Dubai merchants are being anctioned off in Famagusta after being dumped on the quay by

to the new market conditions by going back to the traditional sources of funds - customers.

Those in the West should realize that they have been "over-geared" since the huge oil price rises of 1973, he said.

However, he said, some of the huge new Arab investment houses will disappear.

Some will realize that it is better to put your money in the bank, "You can't be a successful fi-

nancial intermediary and an investment banker who matches long-term funds with the sources of debt or equity financing and do deals that bring them to the market place except when you have a ber 51 in a list of world investment market.

track record of success and a very advanced degree of know-how."

Mr. Nashashibi's own record of
success has enabled Al-Mal to lead-manage four Eurobond issues since the company was established

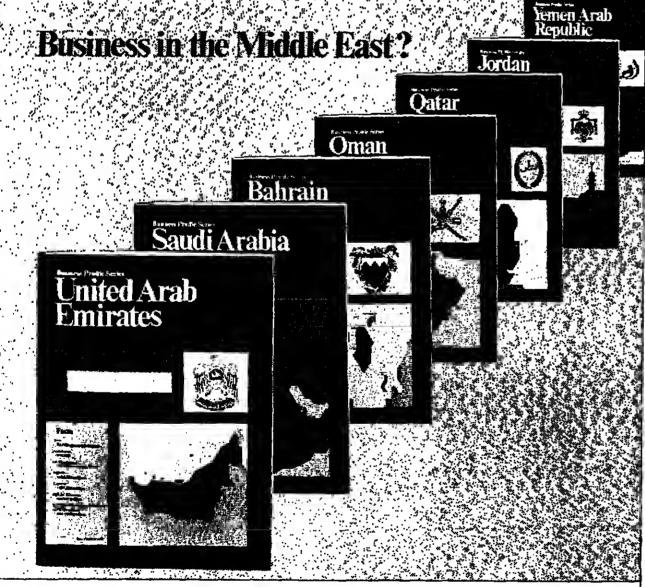
These include a floating rate note at 16% percent for the Luxembourg steel company, Arbed, and a \$40-million loan at 14½ percent for Euratom, the atomic energy agency. Both were completed by the end of December 1981, five months after Al-Mal opened its

in June 1981.

on this achievement and on the

banks compiled in March by the influential London monthly, Institutional Investor. He is also pleased that his group has managed to make a dent in the Eurobond market and to obtain Triple A issues at a time when most other Arab institutions are concentrating on the Kuwait dinar market or on loans rather than bonds.

The group has also scored another first more recently with a Enro-issue denominated in Norwegian krone for Gaz de France. The issue, which was due to be signed in September, marks doors in London. to be signed in September, marks
Mr. Nashashibi prides himself the first time that a non-Norwegian sovereign borrower has been permitted to tap this sector of the



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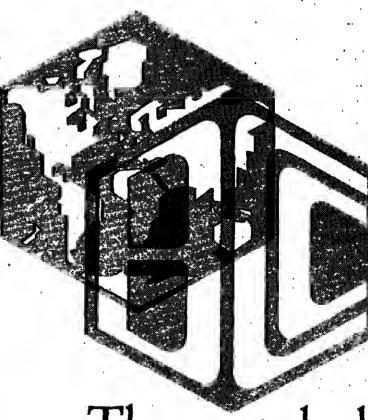
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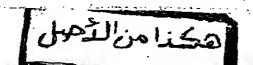
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BUSINESS BRIEFS

Financing Set for Diamond Merger

NEW YORK — Diamond International Corp. said Monday that Diamond Acquisition, a company affiliated with Sir James Goldsmith, had reached agreement with a consortium of banks to borrow the \$455 miltion needed to finance its previously announced merger with Diamond

The merger will result in Diamond International going private, following approval in December at a shareholders meeting. Diamond International shareholders will receive \$44.50 cash per common share.

Diamond, which trades in diamonds, packaging, timber and building materials, said it expects to sign a merger agreement and mail proxy material to stockholders Oct. 31. Sir James and companies affiliated with him through his Paris-based Générale Occidentale group already own 40 percent of Diamond International common.

Alfa-Nissan April Startup Reported

DETROIT — Nissan Motor and Alfa Romeo will begin joint produc-tion of the Nissan Pulsar in Italy in April, an auto industry journal reported Monday.

Under a 1980 agreement, Alfa Romeo's Pratola Sera plant at Avelino, near Naples, will produce 60,000 of the front-wheel-drive sports cars annually, Ward's Automotive Reports said. Nissan will supply the body panels and suspension and Alfa Romeo will supply the engines and

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The companies expect to sell half the cars in Italy and half in other European countries, Ward's said, with about 9,000 bearing Alfa name-plates and the rest sold as Nissans.

N.Y. Alters Subway Financing Plans

Self-distributed to the self-d NEW YORK — The Metropolitan Transportation Authority here has canceled plans to borrow \$126 million from Japan to help finance its purchase of 325 subway cars from Kawasaki Heavy Industries. The MTA said Sunday that it will finance the purchase instead through the

The authority's new bonds, the first backed by its revenue, sold last Tuesday at an average interest rate of 9.7 percent. Under its contract with Kawasaki, reached last March, the anthority could have borrowed

from Japan at an effective interest rate of 12.25 percent.

The authority, which sold \$250 million worth of its bonds last week, has been authorized by the state to sell up to \$1.6 billion by 1987.

Whitbread Buys Wile Common Stock

LONDON - Whitbread, the London-based brewer and distiller, has purchased the common share capital of Julius Wile Sons from Nabisco Brands for \$96.3 million in cash, it announced Monday. The purchase includes a 49-percent interest in All Brand Importers, a beer importer, of

which Nabisco retains 51 percent, it added.

Nabisco retains all of Julius Wile's \$15.5 million of redeemable preferred stock. Julius Wile, which includes Fleischmann Distilling, produces and imports wines and liquor in the United States.

Whitbread said pre-tax profit from the interests being acquired totaled 517.1 million last year; net assets as of Sept. 30 were about \$84.5 million. The purchase and some subsequent trading were funded by an \$80-million consortium bank loan arranged by Barclays Bank International, and a \$23.7-million loan from Nabisco.

Britain Sees Little Hope for DeLorean

LONDON - The British government has grave reservations about the prospects of saving DeLorean Motors, which went into voluntary receivership in February, according to James Prior, Britain's Northern

Deadlines set by the joint receivers for a restructuring of the Belfastbased manufacturing company have passed without necessary finance being found, Mr. Prior said Monday.

. Compiled by Our Staff From Dispatches

Platinum Is Regaining

Danish Krone

Gains Strength

Compiled by Our Stoff From Dispatches
COPENHAGEN — The
Danish knone rallied Monday

against all currencies following

the passage Saturday of the government's economic austeri-

ty package.

The National Bank's fixing put the krone at 352,00 for 100

Deutsche marks, compared with 355.96 Friday, the day be-

fore the package was narrowly adopted in parliament. The U.S. dollar weakened

slightly on European markets, closing at 2.513 DM in Frank-

furt, compared with 2,522 DM

dustry, where it serves as a catalyst

in anti-pollution devices, and to

coined, although the Soviet Union

While the Russians tend to sell

platinum only when its price is high, the South Africans sell it reg-

ularly because they have long-term

contracts with major car manufac-nirers. General Motors has con-tracted to pay \$475 an ounce for platinum, well above the current

price, but some analysts suggest that the South African producers

have been giving discounts.

ounces a year.

By Elizabeth M. Fowler

New York Times Service
NEW YORK — Platinum is a

Cinderella metal that has lacked

glamour in recent years, compared

with gold. But the situation is

In futures trading, the allure of precious metals often is measured

by the spread in price between

them. For example, gold for February delivery closed Monday on the New York Commodity Ex-change at \$442 an ounce, while

platinum for April delivery sold at \$365 on the New York Mercantile

Exchange — a spread of \$77.

Some months ago the spread was as wide as \$130 or so. Tradi-

tionally, however, platinum has sold at much higher prices than gold — a fact that intrigues sophis-ticated speculators. Paul Sarnoff,

vice president and director of Paine Webber's metals unit, said

recently, "We have a bizarre situa-

tion where for months gold has been selling at a premium price

He recalled that in 1980 gold reached a high of about \$850 an

ounce, and a few months later

platinum was selling at more than

Lately speculators have been

quietly buying platinum futures and selling gold futures — one rea-

son that the spread has narrowed. Encouraged by recent declines

might be under way. Because plati-num is more of an industrial metal,

they reason, its price would tend to

rise with a business revival and at

the spread continues to narrow,

they have a chance of making

quite awhile and did not narrow

until the present perception of de-

rowing of the spread, along with rising platinum prices, as a hint of

industrial recovery. "We go along with this optimistic thinking," she said. She warned that the spread involves "a volatile relationship" and that this trading technique should be used only by sophisticat-

The analysts also note some buying of platinum by users stock-

piling the metal, now that interest rates (and hence carrying costs)

She interprets the recent nar-

clining interest rates."

ed investors.

\$1,050 an onnce in terms of futures

above platinum."

Some of Its Lost Shine ences here and at PSA headquar-

Under terms of the agreement, PSA will assume some of Braniff's routes, airport gates and landing slots, said Phillip Guthrie, a Bran-iff financial officer. He said all op-crations would be under the PSA could be called back.

were not available.

Debt-ridden Braniff suspended its international and domestic opcrations May 12 and the next day filed for protection from its credi-

Bocing 727s. It serves 16 cities California, Arizona, Nevada and Washingto

lion. At mid-year 1982, PSA Inc. had net earnings of \$25 million. But the airline itself last year

the petroleum industry, where it helps in the catalytic cracking pro-cess for refining gasoline. Platinum seldom has been ion, which airline officials blamed on the recessionary economy and the after-effects of the 1981 air traffic controllers strike. once minted a small quantity of platinum coms to honor the Olym-Braniff is required under Chap-

pics. The Russians are one of the world's major producers of plati-num, selling an estimated 750,000 Soviet sales, though, are much smaller than those of South African producers — mainly Rusten-burg Platinum Holdings and Im-pala Platinum Holdings, which ac-count for 2.2 million ounces a

Last week Judge Flowers grant-ed Braniff a 30-day extension to complete its reorganization plan and begin paying off its \$1-billion debt. Bramfi officials had asked the judge for 90 days, saying talks with other carriers were "extraor-

The airline had won two previous extensions from Judge Flo-

Braniff officials have said that airplanes under its own name. But several carriers, the officials said last week, were interested in a deal

Tractor, known for good management and efficient plants, had been one of the success stories among U.S. heavy manufacturers. But the company's good fortune. which was barely disturbed by the 1974-75 recession, has ended. As a result of the current recession, Catexpillar has been forced to lay off And on Oct. 1, when a three-year contract expired, United Au-

Pessimism

Deepens at

Caterpillar

By Winston Williams

New York Times Service

tomobile Workers struck the com-

PEORIA, Illinois — Caterpillar

pany, idling another 22,600 workers across the United States. Last week, Caterpillar cot the quarterly common stock dividend for the first time since 1953, dropping it to 37.5 cents a share from 67.5 cents a share.

[On Monday Caterpillar said that it lost \$28.1 million on sales of \$1.7 billion in the third quarter after earning \$174.3 million on sales of \$2.46 billion a year earlier, Renters reported. It was the first such deficit in more than four decades. For nine months for company earned \$24.1 million on \$5.51 billion in sales, sharply off a profit of \$475.6 million on a \$6.88-hillion turnover a year earlier.]

a \$6.88-billion turnover a year earlier.]

Caterpillar is preparing to add \$300 million in debt on top of the \$1.2 billion it borrowed in the last year. Its total debt now stands at \$2.4

"There's no question that the company is hurring right now," said Alex Blanton, a capital equipment analyst for Merrill Lynch, Pierce, Fenner & Smith. "All of their markets are down at the same time. We don't see any sizable recovery until 1984."

Caterpillar executives declined to be interviewed about the company's

condition. Recent statements by the company are quite pessimistic, however, and Caterpillar anticipiates another large loss in the fourth quarter and for the full year.

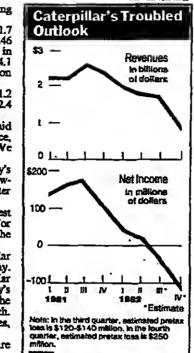
A current prospectus reads, "further substantial reductions in interest rates and a general improvement in business conditions are necessary for meaningful improvement in the company's business. At this time, the

Company does not believe such encouraging signs are evident."

Like other vehicle and heavy equipment manufacturers, Caterpillar can attribute part of its suffering to the poor economy, analysts say. Foreign competition is another problem. Burdened by a strong dollar and intense competition from Japan's Komatsu and West Germany's IRM Holding Co. Constitution from Japan's Komatsu and West Germany's IBH Holding Co., Caterpillar's foreign sales dropped 19 percent in the first half of the year, to about \$2 billion, according to Merrill Lynch. Caterpillar's foreign sales, much of which are in developing countries, accounted for 57 percent of the company's \$9.2 billion in 1981 sales. But several analysts contend that some of Caterpillar's problems are

Jim O'Connor, president of the big United Auto Workers Local 974, (Continued on Page 17, Col. 1)





Source: Merrill Lynch

PSA to Assume Some Routes In a Braniff Joint Venture

Braniff lost \$160.1 million last

The grounded airline said in

court papers that it owes almost \$1

billion to its creditors, including 26

By Paul Lewis

New York Times Service

PARIS - Following another record trade deficit in September

and amid growing fears for the franc, France's Socialist govern-ment announced new tax breaks

Monday to encourage French companies to boost exports and

Budget Minister Laurent Fabius said the new 30-percent tax that the Socialists slapped on company

entertainment costs this year will be reduced on a pro-rats basis re-

lated to a company's success in in-creasing exports. No details were

announced, but the idea is that the

more a French company exports the greater the proportion of enter-tainment costs it will be allowed to

set against tax.
In addition, the Socialists are

seeking to encourage French firms

to invest more in research and new

become more inventive.

GRAPEVINE, Texas - A joint an opening to the lucrative Dallas-Fort Worth air travel hub. venture agreement between Braniff International and Pacific South-west Airlines was announced Monyear and \$41.4 million in the first day in simultaneous news conferthree months of this year. Over the last three years Braniff has lost

name and that as many as 1,500 Braniff workers now on layoff

Further details of the agreement

Pacific Southwest Airlines is the 14th largest U.S. airline and is California's biggest, with a fleet of 32 aircraft — 21 DC-9 Super 80s and

In fiscal 1981, PSA Inc., the airline's parent company, reported net earnings of \$28.5 million on operating revenues of \$438.6 mil-

posted operating losses of \$17 mil-

ter XI bankruptcy law to submit a reorganization plan to a bankrupt-cy judge in Fort Worth, Texas. The judge, John Flowers, will have to approve the PSA-Braniff agree-

dinarily active."

the company will never again fly

Europe's corporate aircraft management and charter company operating a fleet of: 5 Cirarion II - 1 Falcon 10 - 1 Falcon 20 - 5 Falcon 50 5 Gulfstream II/III - 1 Boeing 737 5 Boeing 727 - 1 Boeing 707 - all Executi



IN THE COURT OF CUEENS BENCH OF THE PROVINCE OF NEW BRUNSWICK

IN THE MATTER OF LO.S. LTD.

reorganized.

France Moves to Stimulate Exports

of any increase in their research

and development budget against their corporate tax liability. Both

measures take effect in January, the Budget Ministry said.

The new tax incentives for ex-ports and research are the latest in-

dication of official alarm at the

rapid deterioration in France's for-

eign trade performance since the

Socialists came to power.

In September, the deficit soured to 12.2 billion francs (\$1.71 billion), the second worst figure for a single month since June's record

deficit of 13.3 billion francs. While

imports rose 6 percent to 64.9 bil-

lion francs, exports stagnated at 52

first nine months of this year has already jumped to 73 billion francs, about 70 percent higher

France's trade deficit for the

billion francs.

IN THE MATTER OF the Winding-Up Act of Canada, Revised Statutes of Canada, 1970, Chapter W-10

NOTICE TO CREDITORS OF I.O.S. LTD.

TAKE NOTICE that all creditors of LOS. Ltd. wishing to make claims against the assets of that company shall do so by filing with The Clarkson Company Limited, Agent for the Liquidators at P.O. Box 251, Royal Trust Tower, Toronto, Ortanio MSK 117, on or hefore the 31st day of Jamany, 1983, a proof of claim in the Form approved, of which a copy can be obtained by writing to or contacting Hanson, Hashey at the address given below.

AND FURTHER TAKE NOTICE that the claim of any creditor not filed

on or before the 31st day of Jamany, 1983 shall be deemed to have been disallowed, unless otherwise ordered by the Court;

AND FURTHER TAKE NOTICE that rules of procedure providing for

AND FURTHER TARK NUTICE that rules of procedure providing for the filing of procis of claims, dispute of claims by creditors, contestations of claims have been approved by Order of the Court dated the last day of October, 1982, the original of which is on file at the office of the Registrat of the Court of Queen's Beneh of New Brunswick and copies of which can be obtained by writing to or contacting Hanson, Hashey, P.O. Box 310, 61 Carteton, Street, Fredericton, New Brunswick, Canada E3B 4Y9, Solicitors for the Liquidators of LOS, Ltd.

DATED this 4th day of October, 1982. JOHN A.G. PAGE & JACQUES B. BRAZEAU, Liquidators of LO.S., Ltd.

26-Point Rally Sends Dow Over 1,000 Mark

Compiled by Our Staff From Dupatches NEW YORK — Prices on the New York Stock Exchange rallied sharply Monday, pushing the Dow Jones industrial average past 1,000 mark in an 18-month high, as Wall Street became increasingly convinced that interest rates will extend their decline through the rest of the year. Trading was moderately active.

The Dow index, which lost 3.77 points Friday, rose steadily throughout Monday and finished with a gain of 26.12 points at 1019.22 — the highest level since it finished at 1,024.05 on April 27, 1981

The Dow average of 30 blue-chip stocks had been in a mild retreat since hitting a 17½-month high of 1,015.08 on Wednesday after breaking the 1,000 barrier last Monday for the first time in 15

Advances led declines, 3-1, as the NYSE turnover widened to 84 million shares from 80.29 million traded Friday.

Analysis said the profit-taking that brought the market below the 1000 mark Thursday and Friday has abated for the near term and enthusiasm over interest rate trends should continue to support stock prices.

But Michael Metz of Oppen-

heimer and Co. warned that the low volume made the rally suspicious because it indicated that many investors are bolding back while the market is in an uptrend. "I think the sellers are waiting to

see if the market reaches new highs before offering their stock - right now the available supply is very thin," Mr. Metz said. Analysts said the market's sup-

port came from an increasing awareness in the investment community that the Federal Reserve does not plan to tighten credit restraints, even with the M-1 mea-sure of the basic U.S. money supply running well above its target growth range of 2% to 5% percent. The Fed previously emphasized money supply growth in formulat-ing policy, but 10 days ago Fed Chairman Paul Volcker said the

central bank will pay less attention to money supply due to factors which will distort the figures in coming months.

Several economists consequently with Braniff to expand or obtain banks, 11 insurance companies forecast further cuts in the disand two aircraft suppliers.

Braniff financial officers said count rate to as low as eight perliquidation might bring creditors lower, the influential First Boston only 10 cents on each dollar be-Corp. economist. The Fed's discause of the current worldwide count rate, charged on loans to glut of Boeing 727s - Braniff's member banks, is currently at 91/2

One of Braniff's three subsidiar-Analysts said investors also exies, Braniff Realty, already has pect further cuts in the prime lending rate, possibly to as low as 10

and the Budget Ministry now says it will reach 100 billion francs.

of the franc, after the French cen-tral bank almost ran out of foreign

currency reserves, has boosted the

cost of French imports at a time when stagnant world trade makes

it hard to secure an offsetting rise

in exports. The continued strength

of the dollar has also increased France's bill for imported oil de-

spite the glutted market.

Last June's forced devaluation

product development by allowing than last year's 59 billion francs, them to set 25 percent of the cost and the Budget Ministry now says

percent by the end of the year from the current 12 percent charged by most major banks.

On the exchange floor, the best performers were those issues that were the primary targets of profit taking late last week - particularly the blue chip and heavily capitalized stocks.

Gainers among those issues in-cluded active IBM up 34 to 83, ATT 14 to 60%, Eastman Kodak 5% to 95%, Sears 1% to 27, General Mntors 21/4 tn 521/4, General Electrie 51 to 84% and Minnesota Mining 24 to 76.

London Index at Record High The Financial Times index of 30 leading shares on the London Stock Exchange gained 16.5 points to close at a record 620.4 Monday, Reuters reported. The previous record of 606.1 was set Oct. 11.

Fresh enthusiasm was seen among investors at the start of a new trading account, dealers

Chrysler, Union **Break Off Talks**

HIGHLAND PARK, Michigan - Chrysler and the United Auto Workers uninn broke off contract negotiations Monday after the company refused to give auto-workers the immediate wage in-

Acknowledging that the nutomaker now faces the possibility of a strike, Thomas Miner, Chrysler vice president for labor relations, said the company would not offer an immediate wage increase because "there simply is no more money available at this time and under these economic conditions." He warned the union that "a strike of any duration at all would

severely cripple us, could ruin us in a number of weeks." UAW President Douglas Fraser said contract bargaining has tem-porarily ended and a meeting Thursday among the UAW leader-ship and Chrysler Council will decide if a strike would be called.

He said Chrysler's decision not to grant immediate wage increases greatly enhances the possibility of a strike. He said a redesign of the rejected contract with an immediate wage increase "is the only realistic alternative" to a strike. The autoworkers rejected an ear-

lier tentative accord, which was reached Sept. 16 and would have replaced the accord that expired Sept. 14., by a 7-3 margin because it did not contain a wage increase

The UAW represents 52,100 hourly and salaried workers at

The proposed contract would have reinstated cost-of-living adjustments and linked wage increases to profits, both starting in December. Chryster said the package would be worth 75 cents an hour to UAW workers.

Chyrsler workers three years ago made historic wage concessions that helped save the third largest U.S. automaker from bankruptcy. The tentative contract did not con-

tain concessions. The average Chrysler hourly worker earns \$9.07 an hour, not including benefits — about \$2.60 an hour less than workers at General Mntors and Ford. Mr. Fraser said the accord would have left Chrysler workers about \$2 an hour behind GM and Ford workers.

Mr. Miner told a news confer ence after the two sides met briefly that Chrysler had offered to rearrange the rejected package to accommodate an immediate wage increase if the union agreed to concessions on other contract terms.

But the UAW had rejected the proposal, which Mr. Fraser said included a reduction in benefits in health care and pension programs. "They wanted to rearrange their total labor costs," he said. "We are not willing to do this."

"We agreed there is no point in further negotiations [unless Chrysler or the UAW] has a change of mind," Mr. Fraser said. Mr. Miner said, "We are agreeable to do anything except raise our overall labor costs above 75 cents an hour." He said Chrysler's

per employee.
The UAW has not said how large a wage increase it is seeking, but Mr. Fraser has told reporters that more than \$1 an hour "has a nice ring to it."

total hourly labor costs are \$20.40

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The Royal Oak

in interest rates, the speculators believe that an economic recovery

the same time typical gold hoar-ders might lose interest and sell. Being pragmatic, the spreaders do not care whether platinum rises in price or gold falls. As long as Section Section Bette Raptopoulos, senior met-als analyst at Bache, Halsey, Stuart $(At^{2k_0})^{\operatorname{tr}_{\Omega} dd^{k_0}}$ Shields, observed, "The spread remained over the \$100 level for

For centuries gold has been regarded as a metal to be hoarded in times of trouble and inflation. It is

also used for coinage and is valued in the form of jewelry.

Platinum, also used in jewelry. goes mainly to the automobile inA45 1340.76 7.6414 1,540.55 2.3513 2.7921

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CURRENCY RATES

Interbank exchange rates for Oct. 18, excluding bank service charges.

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R. J. Reynolds Industries, Inc.

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Heublein, Inc.

We acted as financial advisor to Heublein, Inc.

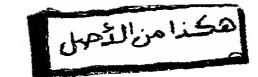
Goldman, Sachs & Co.

St. Louis

October 13, 1982

هكذا من الرُّحيل

Goldman Sachs



U.S. Seeks Cut in Trade Concessions

By Tom Heneghan

GENEVA - The United States has proposed North-South negotiations to eliminate some of the tar- eral Agreement on Tariffs and iff concessions developing countries have in trade with the industrialized world, trade diplomats said here Monday.

The U.S. plan calls for higher tariffs in developed countries for goods from fast-growing states such as Brazil and Taiwan, and at trialized countries - have become the same time lower trade barriers in developing countries for im-ports from industrialized countries, the diplomats said.

They said that the United States

week at a closed-door meeting pre-paring for a conference in Geneva next month of trade ministers from the 87 members of the Gen-

The proposal has already been widely criticized by Third World states as one-sided.

According the United States, the rapidly-developing Third World states — the so-called newly indusmature competitors in certain sectors and no longer deserve some of the trade concessions granted them when their industries were starting.

U.S. officials say that these made the proposal formally last countries should be removed from

cent from its customary range of

20 to 30 percent. Larger interest expense along with increased de-

caterpillar's profits this year.

To limit the fallout from the higher debt. Caterpillar has

trimmed capital expenditures by \$150 million this year and plans

another \$175 million cut next year.

The cutbacks will delay construc-tion on an automated parts distri-

bution plant and a training center

here. Both are key elements of the

company's drive to increase pro-

"What investors want to know now," Mr. Blanton said, "is

whether they'll fill up their idle ca-

pacity in any reasonable length of time and whether their margins will recover to previous peaks."

A federal mediator has called

negotiators for Caterpillar and the

UAW to resume bargaining Oct.

27. The Associated Press reported

from Peoria. The two sides had not met since the strike started, and

the session will mark the first time

a federal mediator has entered the

■ Mediator Calls for Talks

the generalized system of preferences, a system of low or zero tariffs developed states have conceded to the Third World since 1970. and pay tariffs somewhere be-tween the this level and the rate

paid by industrialized countries. Poorer countries would continue trading under tariffs of the gener-

alized system of preferences. The newly industrialized countries then would be under pressure in the bilateral negotiations to lower their often prohibitively high import barriers and increase access to their markets for goods from the industrialized world.

The proposal said, "Developed countries have a strong desire to expand their trade with developing countries, which represent their largest growth market, but are ex-perioncing growing frustration with the import barriers."

U.S. exports to developing countries have risen from \$7 billion in 1961 to \$89 billion in 1981, more than total of U.S. exports to Western Europe and Japan. Developing countries buy almost 40 percent of all the manufactured goods the

United States exports.
U.S. officials have stressed in private that, given the growing mood of protectionism in the United States, Congress is unlikely to again ratify the generalized system of preferences when the agreement express that 1983 if they are ment expires late 1983 if there are

Third World diplomats reject any change in the generalized sys-tem of preferences. They say that their trade terms have already worsened with the recession.

Singapore and Hong Kong, they also argue, have no more trade barriers to lower, while the high trade deficits and external debts of such countries as Brazil and Mexico rule out any chance that they will substantially loosen their im-

port guidelines. Diplomats from developing countries say they would prefer to focus at the GATT meeting on specific Third World grievances such as the need for further liberal-ization in trade in tropical prod-

They say GATT members

agreed to this during the 1973-1979 Tokyo Round of Trade Negotiations, but few steps have been

Switzerland has come forward with its own proposal, which is similar to the U.S. proposal but differently argued.

Swiss officials say many of the stronger developing countries have already lost some of their generalized system of preferences privileges and find their exports restricted by protectionist measures.

One Swiss proposals calls for GATT to set a new tariff rate for newly industrialized countries and lay down rules for developing countries wanting to negotiate new trade coocessions with the industrialized world.

W. German Profits

FRANKFURT -- West German 1982 corporate earnings will be

steady to lower on average in com-parison with 1981 levels, according to a study released Monday by Berliner Handels und Frankfurter Bank. It said cost-cutting measures by the 40 companies surveyed could not fully compensate for the sluggish economy, which caused broad declines in orders this year.

The bank said chemical firms. heavily dependent on orders from other industry sectors, were espe-

cially vulnerable to a decline in profits, though Schering's earnings are not expected to change.

Steady to higher 1982 results were forecast for machine makers. The per share earnings of the automaker Volkswagenwerke are forecast to fall to less than halve of the 25 Deutsche marks in 1981, But Daimler-Benz should end the year with an unchanged profit figure, according to the bank.

Heigel: City-Museum, Munich

R. J. Reynolds Industries, Inc.

through a wholly owned subsidiary has acquired by a tender offer and subsequent merger

Heublein, Inc.

The undersigned acted as financial advisor to R.J. Reynolds Industries, Inc. in this transaction and as Dealer Manager of its tender offer.

Dillon, Read & Co. Inc.

October 13, 1982

Strike, Loss Increase Gloom at Caterpillar

(Continued from Page 15) insisted that Caterpillar provoked the strike. He warned that the company "could be playing with fire" and that the outcome of the strike, the second since Lee L Morgan became chairman in late 1977, may be as devastating to Caterpillar as a six-month strike was for a weakening International

Harvester three years ago. Caterpillar built up huge stocks before the strike. At the end of the second quarter, inventory stood at \$2.3 billion, \$500 million more than a year earlier.

Some analysts say the inventory buildup was a gross miscalculation of the market's strength rather than a planned increase for a strike. At the beginning of the year, Caterpillar had been expecting a sales increase. At midyear it hoped that sales would stabilize at 20 percent below those of last year. The bottom fell out in August, however, and sales are oow 40 percent off last year's pace.

Caterpillar wants a reduction in the paid holiday and vacation time that each union member gets a year. The company is offering a 9percent raise over three years, say ing that the labor cost gap with Japanese workers must be narrowed. The company says Caterpillar employees earn about \$20 an hour, including benefits, almost twice the compensation of Japaoese workers.

But the union says the company offered a list of 74 "give-backs." including big reductions in the cost-of-living allowance, and has refused to open the books as other troubled companies have done when they sought concessions from the UAW. "If they want concessions they'll have to open their

books," Mr. O'Connor said. Many union members fear that concessions will not save jobs that are being lost to labor-saving ma-

Crines of Caterpillar also point to the purchase of Harvester's industrial turbine engine and com-pressor business. Many analysts said over a year ago that Caterpillar paid too much for Harvester Solar division when it shelled out \$505 million in borrowed cash.

That acquisition and the financing of the inventory buildup have pushed the company's short-term debt up to more than \$900 million, compared with \$357 million in July 1981: Solar's sales are weak because of the decline in oil and gas drilling, its main market. But Caterpillar concedes that, in addition, expanding on borrowed mon-ey in the face of a declining tractor

When we made the decision to increase debt to acquire Solar oo one figured that business would fall off the way it did," Mr. New-house said. "Now we're borrowing

The company's debt-to-capital-ization ratio has risen to 45 per-

Allis Loses In 3d Quarter

lion, the diversified equipment maker said Monday. It said a similar loss is expected

In August, the company said it expected to report a major loss from 1982 operations due to these plant closings, as well as further operating losses expected io its material handling equipment business for the rest of the year.

duction at agricultural equipment plants for extended periods of the third quarter to reduce inventories due to soft retail demand. This re-sulted in sales to dealers dropping more than 70 percent from the 1981 third quarter, it said.

lion a year earlier, when the com-pany earned \$7.89 million. The nine-month sales slipped to \$1.253 billion from \$1.596 billion a year ago, when there was a profit of \$17.34 million.

chairman, cited the poor global market for farm machinery as the main cause of the decline.

Swiss Trade Deficit Widens

BERN — The Swiss trade deficit totaled 881.8 million Swiss francs (\$409.1 million) in September, compared with 779.8 million in

Manual Comments

Revenue and profits, in millions, are in local currencies unless otherwise indicated,

COMPANY REPORTS

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market was probably not the most prudent thing to do.

money just to operate."

\$63.5 Million

Compiled by Our Stuff From Dispate MILWAUKEE — A Chalmers Corp. lost \$63.5 million in the third quarter, bringing the nine-month total loss to \$76.7 mil-

in the fourth quarter because of additional production shutdowns at its agricultural equipment

The company shut down pro-

The third quarter sales fell to \$338,39 million from \$517.74 mil-

David C. Scott, the company's

August and 941.5 million in Sep-tember 1981, the federal Customs

Selected Over-the-Counter

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Monday's AMEX Closing Prices

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Quality Dispute Delays **World Accord on Tea**

GENEVA — Tea exporters and consumers have failed to set international quality standards essential to any global agreement to help boost tea prices, the UN Conference on Trade

A week-long meeting of officials from tea exporting and importing countries ended in Geneva on the weekend, UNCTAD said in a statement said. The meeting called for the consideration of more information on black tea

The action probably will delay progress on an international tea agreement, which UNC-TAD supports as a way of aiding exporting countries when tea prices have fallen 30 per-

cent on world markets in 10 years.

At the last meeting in May, producers agreed that all countries exporting more than 10,000 metric tons a year would limit exports to keep prices within certain limits. Quality standards would be needed, the producers said, to determine the types of tea to

A quota of less than 825,000 tons a year was export market, especially Kenya, want larger shares for their growing industry.

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Oct. 18

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The undersigned amounces that as from October 25, 1982 at Kas-Associate N.V., Spuistrast 172, Amsterdam, div.ep.no. 19 of the CDRs Rothmans International P.L.C., each repr. 100 ahares, will be payable with Dfls. 15.08 (re final dividend for the year ending 31.3.1982) 3.25 p. per ahare.

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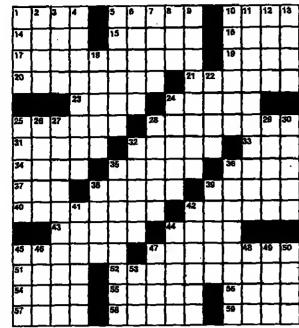
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WEATHER

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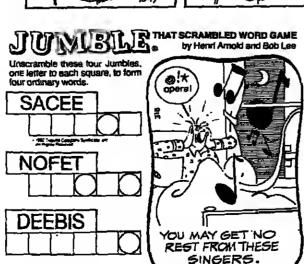












HURGOT Print answer here:

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Jumbles: VILLA PRUNE ENTIRE GRISLY Answer: What bad sallors are called-PIRATES

Imprimé par Offprint, 73 rue de l'Evangile, 75018 Paris



"WELL IF GIRLS ARE SO SMART, HOW COME THEY WEAR. DRESSES THAT ZIP UP THE BACK 2°

MARSHALL: Hero for Our Times By Leonard Mosley. 570 pp. Illustrated. \$18.50. Hearst Publications, 959 Eighth Avenue, New York, N.Y. 10019.

By Herbert Mitgang

GEORGE C MARSHALL — U.S. Army chief of staff, secre-tary of state, the Marshall of the Plan that helped Europe recover after World War II — was a historic figure who avoided the limelight in war and peace. He issued no poblic pro-nouncements, nor is he remembered particularly for his phrasemaking or speeches. Yet he was remarkably effective in his actions and io creating an aura of old-fashioned service, sang-froid and straightforwardness — all those rare virtues summed up in the

word "character."
Fortunately, in "Marshall: Hero for Our Times," Leonard Mosley has uncarrhed the details of his public and unearthen the details of his public and private life, and written a readable and solid biography. Mosley, a war correspondent, military historian and biographer of Charles A. Lindbergh and John Foster Dulles and the du Pont of Delaware families, is wellequipped to tell the story of Mar-shall's career.

One of the book's values is that it

isn't a simple valentine. By pointing out some of Marshall's mistakes in judgment along the road to greatness. the author shows Marshall to be a public servant who continued to grow in stature when he took on his heavi-est tasks well into his 60s.

For after serving as chief of staff of the Army under President Franklin D. Roosevelt — when he called the signals in every theater of global war and oot just on one battlefront -he sought neither fame nor political office, but retirement, President Harry Truman immediately enlisted his services again on a Mission Impossible—trying to bring the two irreconcilable factions, the Nationalists and Communists, together in China. And then, as secretary of state, he had to work out the design for the occupa-tion of Germany, the peace treaty with Austria, the complexities of the Truman Doctrine in Greece and Turkey, the confrontations with the Soviet Union, the rebuilding of Europe out of the rubble.

Mosley is also a novelist and knows how to build a dramatic story. This one is ready-made for a running account of the rivalries within the U.S. military establishment and, specifical-

mintary establishment and, specifically, between Marshall and Gen. Douglas A. MacArthur.

They had parallel careers, The reader may find himself cheering for Marshall to catch up in rank and fame with the more flamboyant MacArthur. They were lieuterants before Arthur. They were lieutenants before World War I, they had distinguished records in the trenches of France, and they cootinged to climb the ladder in that gray time of camps and distant outposts between the world wars. MacArthur was always one step ahead — his mother lobbied effectively for him in Washington — and he got his general's star first. Because of some slights by Pershing's headquarters, MacArthur beld Marshall accomplete for his difficulties in Washcountable for his difficulties in Washington in later years. During the war, MacArthur fought off the other ser-vices so that he could run the Pacific Theater as his fieldom and gain the





George C. Marshall

glory by communities as well as by conquest.

conquest.

And here is where Marshall showed that he could rise above personal rivalry. Recognizing MacArthur's virmes as well as flayin, he defended him, despite MacArthur's defiance; Marshall turned out to be the bigger man, the man without the ego—the man of character—engaged in the higher aim of winning the wir. "Because MacArthur disliked, mistrusted and resented Marshall it should not be thought that historiculoices were reciprocated." Mosley writes. "They were oot, and maybe that was the trouble."

ciprocated, Magley writes. "They were oot, and maybe that was the trouble."

And then came the showdown during the Kofefir. War, when MacArthur, in one of his messages, in effect told the Chinese to forget about Washington and the United Nations and to talk phase directly with him. This was too much for Truman, who relieved MacArthur as supreme commander and shipped him of his other posts in the fag East. How did MacArthur resulf." "George Marshall pulled the wifeer," he declared. This is the stuff of high drama, and Mosley tells it well.

There are many nuggets of information bere how from the beginning of his career Michaell kept a little black book of the talented young officers as well as those who did not deserve to commande Names such as Dwight D. Eisenhows and George S. Patton and Omar N. Bradley were starred in that book, and when they were jumped over the heads of higher ranks by the chief of suff, it was not a wlumsieal, but a stindied, act. But we also read Mosley's judgment that Marshall got off too lightly for his neglectful role in the failure to communicate properly between the tervices before Pearl Harbor. And the learn how he handled Rooseveltand spoke his mind instead bor. And we learn how he handled Roosevalt and spoke his mind instead of fawning.
Out the personal level, the book recounts Marshall's devotion to his

counts Masshall's devotion to his beautiful first wife, who was an invalid and unable to bear children and, after her death, to his second wife, a widow, and to her children. There are poignant references to the time when Essahower, who owed much to Marshall, ran for president and, in a campaign thereby foiled to defend Marshall, ran for president and, in a campaign thereby foiled to defend Marshall. paign speech, failed to defend Mar-shaff after Sen. Joseph R. McCarthy had called Marshall "a traitor." Al-though Mrs. Marshall would not for-give Eisenhower, Marshall did, and congratulated him on his victory at the polls. Once again, Marshall could rise above a serious affront when he believed there were higher stakes for

the country.

Mostey's biography helps to explain why Weston Churchill called Marshall the organizer of victory," and why Roesevelt refused to accept he resignation at the beginning of the war when Marshall offered him the chance on the ground that he was too old. Packy for the country that Roosevelt laughed and said no.

ddə Air.

Herbert Mitgang is on the staff of The New York Times.

CHESS

By Robert Byrne

HOW much is offered in a post-tional exchange sacrifice? Usu-ally it will not be attempted unless. one gets a pawn in addition to the mioor piece for the rook, so the resulting material unbalance will be quite

Of far greater importance are the positional factors, particularly mobility: against the opponent's active rook, the sacrifice is doomed, but the offer. may succeed if the position is open enough to permit the minor piece good play while there are not open files for the rook.

An excellent positional exchange sacrifice dominated the action in the game between Tigran Petrosian of the Soviet Union, a former world champion of the Country of the Cou on, and Genna Sosonko, a Drifch grandmaster, from the sixth round of the Ioterpolis International Tourna-ment in Tilburg, The Netherlands. Petrosian's unusual but reasonable 2

P-QN3 took the game away from well-trodden paths of analysis so that he might make use of his formidable positional judgment. Perhaps it would have been wiser to

forestall a later white queenside expansion by 11. P-QR4 Instead, Sosonko preferred to attack with 11. P-KN4. Petrosian would not have been em-

barrassed by 14 P-QN4?! because 15 N-R5, NxN; 16 PxN, R-R2; 17 Q-B5, QxQ; 18 RxQ would have let White develop pressure on the QB Sosonko was never able to get the

attack he wanted: after 19 O-O, for example, it would have been weak to play 19 . . . P.B5?; 20 P-K4, P-B6; 21 PxN, PxB; 22 OxKP because Black would have had his hands full defending his KP and QBP. The subile 22 B-Bi! threatened a

decisive attack on the KP by 23 P-K4!, PxP: 24 RxP and thus necessitated the hangdog 22 . . N-B2.
Petrosian's 24 Q-B51 could not well have

Petrosian's 24 Q-B51 could not well have been answered by 24 . . . KR-K1; 25 N-B4, QxQ; 26 PxQ because the white knight would have gotten a powerful outpost at Q6 while the backward black QNP became woefully weak. After 24 . . . QxQ; 25 RxQ, N-K3, however, Petrosian produced the potent exchange sacrifice 26 RxKP!, BxR; 27 BxBch, taking ad-



vantage of the disharmonious black position. His 29 N-B4 threatened 30 N-Q6, followed by 31 B-Q41 To escape such a crushing bind, Sosonko permitted his QBP to become backward by

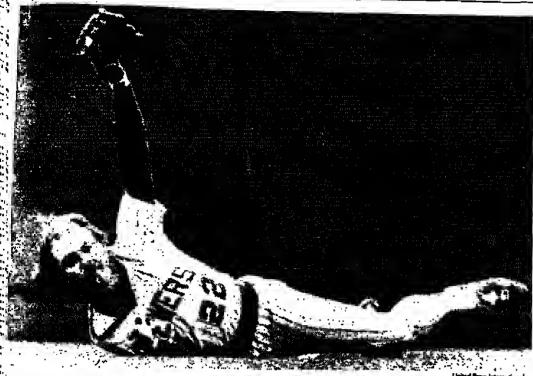
29 . . P-N4. Petrosian was in no hurry to win a pawn with 35 RxP because Sosonko would have had counterplay after 35 . B-Q4, 36 R-B7, R-B2; 37 N-

B5. RxR; 38 BxR, B-B5.
Of course, 36. B-Q4 lost a pawn to 37 BxBP, but so would 36. KR-B1; 37 R-B5. After Petrosian's 40 P-K4 forced the win of another pawn, Sosonko had oo

chance for a rescue. After 45 BxP, with no recourse against Petrosian's material superiori-

ty, Sosouko gave up. ENGLISHOP ENING

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Brewer right fielder Charlie Moore's sliding catch in the fifth robbed Lounie Smith of a double.

Racetracks NFL Strike Beneficiaries

By Bill Christine LOS Angeles Times Service
LOS ANGELES — Tom Rivera, irector of marketing for Arlingon Park in suburban Chicago, on rark in submission speakag for the entire industry. "I wish he football players would stay ou trike all year. "he said.

Since the National Football eague players walked out last tooth, business at race tracks pen on Sundays has shown incases ranging from 17 percent to 9 percent. Several track operates, anticipating that gamblers, ho usually bet illegally on NFL mes would turn their attention legal wagering on horses, preicted an increase as the strike arted, but facts have have exeded the forecasts.

On Sept. 19, the last Sunday the FL played, 13 tracks totaled 2)8,288 in attendance and 4,785,976 in handle. The followg Sunday, the same 13 tracks owed an 11.9 percent increase in tendance, to 122,982, and betting as up 10.1 perceot, to 6,464,747.

The following Sunday, the racg increases were more dramatic. itendance rose 19.3 percent and agering increased 17 percent.
At Off Track Betting in New ork City, where betting is conicted on races at Belmont Park, e handle on the strike's third

oday was \$3.2 million, an inease of about \$500,000 over the nday of two weeks previous. There's gravy all over the place. Beimont that Sunday, the attennce was 25,000, a-jamp-of-5,000 ore than Sept. 19, and the handle creased more than \$600,000. w York Racing Association, uch operates Belmont, had excted Sunday increases in the 00,000 range.
The first Sunday of the Oak

ree meeting at Santa Anita in Ar-dia, Calif., accounted for a owd of 46,000 and handle of \$6.1 illioo. The attendance was the cood largest in Oak Tree's 14ar history and the handle was alost \$1 million more than the. imparable Sunday from 1981. Football gamblers still have the llege games to bet on, of course, it their Sundays have been most-empty, except for small schools at switched their game to Sun-

iys for television. Even small tracks, some of hich have been struggling most the year, have shown increases. aterford Park, which canceled its

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day and they bet \$267,765. Small potatoes compared to Santa Anita, but at Waterford those figures represent respective increases of 24.7 percent and 28.7 percent more

than Sept. 19.

Another West Virginia track,
Charles Town, showed a Sunday
handle of \$621,301 — "only our third \$600,000 day all year," said a

West Virginia Derby this summer drew 7,705 fans who bet \$1.1 milbecause of economic conditions, lion. On Sept. 26, the first Sunday drew 2,333 fans on a recent Sunday of the football strike, the totals

were 14,608 and \$1.7 million.
The Meadowlands, in New Jersey, does not run on Sundays, but has always considered ABC football telecasts as its main competi-tion on Monday nights during the NFL season. On Sept. 27, the Meadowlands showed increases of 7 percent in attendance and 6.5 hird \$600,000 day all year," said a rack spokesman.

On Sept. 19, Arlington Park

percent in handle over the last Monday the track went head-to-bead with a televised NFL game.

SPORTS BRIEFS

Racing Teams Agree to FISA Changes

PARIS — Grand prix racing teams surprisingly have agreed to drastic rules changes ordered for 1983 to reduce speeds and increase the safety of drivers, track officials and the public, it was learned Monday.

The International Aoto Sports Federation last week voted major aerodynamic changes. The teams said it was impossible to design and build new cars in time for 1983 season. But spokesmen for the Williams and Brabham teams confirmed Monday that in a meeting late last week all the teams agreed to accept the new rules, and even said they could be ready for the first 1983 race, the South African Grand Prix in February, rather than the first European race in April as FISA had ordered.

The FISA move, backed by drivers demanding slower and safer cars and by various tracks' refusal to continue spending money oo modifications, apparently convinced the teams to agree to the changes.

Brabham designer Gordon Murray said he expected the new cars would have about the same straight-ahead speed as existing models but certainly will be far slower in the corners." Derek Daly, who drove for the 1982 Williams team, said the new cars should prove to be "much more spectacular and much more fun to drive because they will slide

60 Countries Invited to Soviet Games...

MOSCOW -- Athletes in at least 60 countries -- up to 1,000 competitors in all — will be invited to the 1983 Spartacade Games July 16 to

Any 6 in Moscour Tags reported Symdon m Moscow. Tass reported Sunday.

The Tass report did not specify the number of athletes coming from each country. Soviet sources have said, however, that a contingent from the United States and other countries that boycotted the Moscow Olympics will be invited. The countries boycotted the 1980 Summer Games to

protest the Soviet military intervention in Afghanistan.

The Soviet games are held every four years to help the Soviet Union prepare for the Olympics. Medals will be awarded in 32 sports, with table tennis and synchronized swimming included for the first time.

Evert Defeats Jaeger in 3 Sets

PALM HARBOR, Florida - Top-seeded Chris Evert-Lloyd held off Andrea Jaeger, 3-6, 6-1, 6-4, in Sunday's final of a professional termis

In the final set, trailing 3-5 and 15-40 on Evert's serve, Jacger dug in to fight off two match points and win the game. That took ber to 4-5 with a chance to square matters on her serve. But she made four straight errors as Evert applied pressure by keeping the ball deep and well placed for

"I don't know if you could call it 'fun,' but it was satisfying." Evert said of her 27th consecutive winning match.

Compiled by Our Staff From Dispatches

GREAT NEWS, SPORTSFANS!

SPORTS Brewers Take 3-2 Series Lead to St. Louis

By Thomas Boswell

thington Post Service MILWAUKEE - By now, St. Louis has to be convinced. After losing Sunday's lifth game of the World Series to Milwankee, 6-4, to fall behind three games to two, the

Cardinals have seen enough of the

Brewers to get the general idea. Here the Cardinals were led to believe that they would be playing the champions of the American League — the patsy circuit — and what do they get? A kind of hybrid gang of National League spleen-crushers.

Power everywhere. More speed than advertised. Defense to beat the band. Play hurt, never quit. Eat adversity, yawn when you've got 'em down. Throw at their heads, slide in their faces, spi1 in their eyes - and never apologize. Thump 'em any way you have to. even if the greatest relief pitcher in history is hurt, even if two-thirds of your outfield is injured, even if your starters look frazzled, even if your good nle manager barely seems to know what inning it is.

Best team in baseball. One game away from winning its first World Series. Better get out of the way before something ugly happens. When a team that hits 216 home

runs in the regular season comes from behind to take charge of a Series, as the Brewers have done. without hitting many home runs, it's unnerving. When the Brewers beat you with their gloves, as they did Sunday, it's worry time.

On Saturday, when they led, 5-1, in the seventh inning of Game 4, the Cardinals — ou the verge of a three-games-to-one lead - were ready to measure themselves for world championship rings.

Now, after watching Robin Yount get four more hits, watching Mike Caldwell survive for 8% innings on a day when be had nothing and allowed 14 hits, seeing Bruce Sutter give up what proved to be the two winning runs and seeing the Brewers make a half-dozen brilliant defensive robberies, the Cardinals know better.

worried - from Manager Whitey Herzog, who is already talking in postmortem tones, to solemn veterans who know from experience when a good thing has gone bad.
"If we should be fortunate

Make no mistake, the Cards are

enough to win the sixth game, ... began Herzog, in the manner of a fellow who doesn't want to annoy an extremely large person. Herzog and the rest of the Busch

Bunch are going home. On Tuesday, it's to be 258-game winner Don Sutton against their nine-game career winner John Stuper. Make your own jokes. The Brewers have the wind be-

hind them now. Every time they look around, somebody from the Hall of Fame is lutking around their locker room asking one of them for a bat to enshrine. Sunday two four-hit games in the same World Series. He now has 11 hits, one off the record for most hits in a six-game Series and two away from the record, held by Bobby Richardson and Lou Brock, of 13 in a seven-game Series.

At the end of Game 5, as a cast of 56,562 stormed the field, Yount was brought back out of the dugout for a curtain call by the chants of "MVPI MVP!" On a raw and blustery day, Yount had been at the center of almost all the Brewers' mischief making.

He hit a first-inning shot off the foot of pitcher Bob Forsch and scored when Ted Simmons chopped to first. A couple of innscored ings later, Yount's double was instrumental in the Brewers' scoring another run. Finally, when the Cards closed to 3-2 in the seventh,

there was Yount again to make a dramatic point. How? With a home run: Into a gale-force wind, like overkill a flick of the wrists produced an

opposite-field bullet to the bleachers in right. Yount did it with the glove, too.

But then, so did almost every Brewer. Charlie Moore slid across the grass in right to rob Lonnie Smith of a double. Paul Molitor leaped high at third, stomped on the bag, then fired to first for a double play. Cecil Cooper made a diving stop of a shor to his right and then threw from his knees to Caldwell covering to end a rally in the seventh. Yount roamed behind second, ignored a terrible hop and took a hit away from Smith. Jim Gantner dove behind second to keep another ball in the infield and keep another run from scoring.

هكذا من الدُّعيل

Against a mediocre defensive team, we'd have had 20 hits today and I don't know how many runs," said Keith Hernandez, who had three of St. Louis' futile 15 hits.

"I'm so glad that a national TV audience could see us kill some-body with leather," said Brewer General Manager Harry Dalton, shaking his head at the very idea that "people think we're just a crunch-and-run cluh."

The Brewers could hardly have captured Game 5 with more authority. They scored the first time they got to bat as Simmons's groundout scored Yount. When the Cardinals tied matters, 1-1, on a triple by David Green and a double by Hernandez, the Brewers responded with a go-ahead run in their next time at the plate, this time on a Cooper groundout that plated Molitor.

The Brewers, just like the textbook says, nudged that margin to 3-1 with a double by Moore and single by Molitor in the fifth. And when the Cards made scary noises with an RBI single from silent George Hendrick in the seventh, Yount hit his emphatic homer.

on Sutter in the eighth for two insurance runs with three smoking

41120013		MILWAUKE	
	ob r h bi		ab r h bi
L.Smith dis	5028	Molitor 3b	4111
Green	5220	Yount ss	4241
Hrnds 1b	4132	Cooper 1b	4011
Handrek rf	5032	Simmons c	3001
Porter c	5010	Oplivie If	4120
o-Rmsy pr	0000	Thomas cf	4000
McGee cf	5010	Money do	3100
Oberkfl 3b	4038	Moore rf	4121
b-Tnon ph	1000	Gontor 25	4011
Herr 2b	4000		
OSmith ss	2100		
Total	414154	Total	346116

. T-3:02 A-54562

singles to center, plus a walk, their that there was nothing unusual in 6-2 lead entering the ninth looked leaving Caldwell on the mound in oow at the plate and tying run on

But the Cardinals actually got to

could make a sequence of colossa mistakes that almost lost a pivotal Series game for his team. So let's not say it. Let's pretend

bring the go-ahead run to the plate in the ninth. Now, only those whose sensitivities are ground to dust would say that a one-legged manager who has had heart and stomach surgery

the final inning as, with one out, Green doubled, Hernandez doubled and Hendrick singled. Let's pretend that anyone might leave in a pitcher who has given up 14 hits

Let's preteod that every Milwankee heart didn't jump into every Milwaukee throat when Dar-Porter lined reliever Bob McClure's first pitch to right for

and has let the tying run get to the

first. And let's not dwell on the good fortune needed for McClure to strike out Willie McGee and get Gene Tenace to fly out to end the game

"About two inches farther up on the bat, away from the label," said Tenace, "and that ball is way out of the park." But it wasn't. So now the Brewers are measuring fingers.

Kuenn, Torre and an Ideal Marriage

MILWAUKEE - in the tumult of Wisconsin Avenue last week, where horn-honking celebrations followed Brewer victories in Games 1, 4 and 5 of the World Series, car after car was plastered

WORLD SERIES NOTES

with bumper stickers proclaiming "Harvey Kuenn For President." The Brewer manager, a native of Milwaukee and a survivor of three life-threatening illnesses, has become increasingly popular in this hlue-collar town as the team be took over in June overcame a series of hardships to reach the Series. Kuenn's status for next year is yet to be determined.

"We've had the good fortune of having two likable, popular human

beings manage this club," said the team's vice president and general manager, Harry Dalton. Dalion was referring in George Bamberger, currently the New York Mets' manager, and to

Kuenn, who succeded the less-pop-"Bambi was a symbol of a whole orw generation of hope. He took this team over .500 for the first time. Harvey's not quite as outgoing her he advantage of

ing, but be has the advantage of being a native. He's an institution with the club and the community. As for when and how a decision

on Kuenn's future will be made, Daltoo was unwilling to interrupt Sunday's celebratory mood with

"Sometime after this is all over,

"I don't think either one of us has any idea when we'll come back to the real world."

Joe Torre dido't make it to the World Series, because his Atlanta Braves lost the National League playnff to the St. Louis Cardinals. But his family did make it, and so did the Braves.

The ceremonial first ball for Sunday's Game 5 was thrown out by Joe's brother. Frank, in a salute to Milwaukee baseball of a quarter

century ago. The Milwaukee Braves made the

Series against the Yankees io 1957 and 1958, and Frank Three was a first baseman on those Milwaukee

The Braves later moved to Atlanta, much to the resentment of the fans hereabouts. But they were replaced by the Brewers, who brought the American League to lown. So Frank Torre tied up the loose ends of Milwaukee baseball history by throwing out a first ball

When Phil Bozieb and Cindy Keskey were married Sunday morning at St. Alphonsus Church in Greendale, Wisconsin, be said they were taking a surprise trip, She thought maybe Bermuda, maybe St. Martin, maybe Mexico. Instead, the bridegroom escort-

in the Brewers' first World Series

ed the bride to Couoty Stadium, he in his tuxedo, she in her white gown. He didn't have any tickets, but he knew "somebody" who would let them in. They created quite a stir, looking as if they had just climbed off a

wedding cake, strolling through the crowded aisles of a World Series game, followed by television cameras, reporters and fans. Bozich, a food broker, said he "wanted to give her something she'd never forget for a wedding present." His bride, a self-de-scribed "bartendress," said: "He

comes up with some pretty strange presents." Two friends lent them seats behind first base, and they cheered the Brewers until the end. Then they went on their honevmoon. Where to? Said she: "We're just driving

through Wisconsin."
Said he: "Who know we'll wind up in St. Louis."



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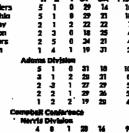
Transactions

klivers, · SEATTLE--Cut Steve Burks, guard, and Allen toyhorn, forward. UTAH—Cut Corl Nicks, guard. **CFL Standings**

MOCKEY

Noticeal Hockey League
37. LOUIS—Sent Milk, Zute, Pot Hickey forwards and Jim Pavese, detensarion, to Salt Late City, of the Central Hockey League, on a loon basis. EASTERN DIVISION 7 6 1 357 376
6 4 1 226 344
2 18 0 284 359
2 11 0 199 411
WESTERN DIVISION 11 3 0 404 285 5 0 1 339 377 0 5 0 451 273 **NBA Exhibition Games**

shington 194. Clevelong 95 Iver 134. Kompos City 128 woukee 99, New York 93 Ylond 114, Phoenix 112



Sunday's Results

Buffolo & Edmonton 4 [Housley (2), Perrecuti

14. Andrevchuk (5), Foliano (2), Cyr (2),
McKanney (6), Gretzky (6), Linasmon (2), Luro-ley (1), Hunter (5)). Los Angeles S, N.Y, Rongers 3 (Nicholis 2 (7)) (2), Nechaev (1), Simmer (4); Don (2), Dave Majenev (1), Fath (11).

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here is your quiz for the next stop. The people are mad as hell out there because they have an 18-percent unemployment rate. Where does your heart go?

"Out to them. As long as one person in this country is jobless 1 will not be satisfied."

"Good. Who is to blame for the high unemployment rate?"
There is enough blame to go around for everybody. But we are at least doing something about it, unlike those big spenders in Con-gress who got us into this mess in the first place."

"Where is the recession?" "It's bottomed out and we are recovery-bound, thanks to lower inrates, lower inflation confidence by the people on Wall Street who are willing to back our programs by investing in the great American free enterprise system."

"What must we avoid to get people back to work again?" "A quick fix, which may tempo-rarily put people back to work, but will never solve the severe economic problems that I inherited from an irresponsible opposition party that has been on a drunken spending binge for four decades."

"Why did they spend this mon-"Because it wasn't theirs. It was the American texpayers'."

"And how can we achieve the American dream?" "By staying the course which I have set, and by passing a constitutional admendment guaranteeing a balanced budget, which will permit us to live within our means."

"Who is preventing us from having a balanced budget? A small group of selfish men in

Congress who are willing to sell our birthright to satisfy the greedy pressure groups who feel the feder-

Tourism Off in Switzerland United Press International

BERN — Switzerland's tourism industry registered a seven percent drop this past summer as a result of the general recession. The Federal Statistics Bureau said there were 7.5 percent fewer foreign vacationers compared with summer last year and 6.5 percent fewer Swiss holidaying in their own

WASHINGTON —"Okay, Sir, all government must solve all their

"What will put people back to work?

courages business to invest in new plants, expand production and give the consumer more money in his pocket to spend on goods."

"I have just signed a job-training bill which will make it possible for a

they find a job?"

past 40 years to put the country in the shape it is in today."

to take the blame for?"

"Sure, go ahead."

am not one of those who marches to the drumbeat of doors and that the dark cloud of uner ment lies over the land. Ples don't let Congress spend any more money on wasteful programs that will only return us to big spending and big taxing and double-digit in-flation which has caused the pounding economic hangover America is now suffering.

"Signed, Donny Schmiddlepp"

"I say, Donny, I hear you. I only wish you were old enough to vote."

tion and then we'll let you take a nap. What didn't you come to "Party politics as usual. And most of all I did not come here to

"My tax program, which en-

the double-digit unemployment

What will they have to do until

"Show patience and forebear-ance. I can't turn around overnight what the opposition has done in the

7.5 percent. Now it's 10.1 percent. Pm willing to take the blame for 2.6 percent of it. Can I read a letter from a 9-year-old boy in Madison,

ther does my mother. But Im. I know it isn't your fault

"And what do you say to Don-

employment issue. One more ones-

million people to learn new trades and skills to prepare them for the prosperity which is just over the bo-rizon."

Washington to play?

"What have you done to address

"How much of the unemployment in the country are you willing When I came into office it was

Dear Mr. President, 'My father doesn't have a job

"Well, that takes care of the inn-

further mortgage the future of the American people just to buy a short-term political popularity, by sweeping our problems under the table."

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While most "recumbent' bicycles are one-person affairs, a five-personpower version was tested at Bedford, Mass.

Bicycles: The Future Lying Down?

By Allan Parachini Los Augeles Times Service

OS ANGELES - When Paul MacCready designed the Gossamer Albatross, which be-came, in 1979, the first humanpowered aircraft to cross the English Channel, a lot of people

said he was crazy, a dreamer. When MacCready and AeroVi-ronment Inc., the company he founded and runs, put aloft the first solar-powered airplane the Gossamer Penguin - a year later, many of the same people started calling him a visionary.

Here was that same Mac-Cready, wearing a floppy pseudosafari hat, leaning against a park-ing lot fence at the Orange County International Raceway. To a small audience he was fantasizi about his latest project — the bicycle of tomorrow

It is a goal shared by many small entrepreneurs, tinkerers and craftsmen - primarily in California and a couple of other

MacCready will not say a great deal specific about his own project, but from what he will say and what could be learned, one can assume that the vehicle:

· Has three wheels and is powered primarily by pedaling. People in normal physical shape would be able to propel it at 30 or 35 miles an hour on the level. · Has a fairing — an aerody-

namic body — surrounding the rider. The fairing may be made of space-age plastics called Nomex or Kevlar, ounce for ounce stronger than steel and commonly used in bulletproof vests. Probably has provisions for

auxiliary electrical power to help it climb hills. The system includes a one-pound motor fed by six pounds of batteries.

 Weighs somewhere between 30 and 45 pounds. If it goes into mass production, will cost about \$500.

· Is nowhere near comp even as a prototype. Because of that, MacCready is afraid a public debut will permit some large

bicycle company to steal his idea. What attracted MacCready's attention in the drag strip parking lot was a group of vehicles that together are at the cutting edge of a new evolutionary form of the bike. Most of them have two wheels but some have three. They have chains and derailleurs

the running gear has been available in the neighborhood bike shop for more than a decade. The rider lies back, with the feet pushing on the pedals almost horizontally; thus the bikes' generic name: recumbent. They have names like Easy Racer, Aero-coupe, Infinity, Avatar and NYAB, an acronym that means:

and gear-shifting levers. Most of

They are not prototypes, but production models — selling for about \$700 to as much as \$4,700. The average cost is \$800, compared with the average bike price of less than \$200. This is a cottage industry. The owners of the companies that

Not Your Average Bike."

make the recumbents generally know each other. But they all know that the manufacturing titans of the bicycle world are watching carefully.

While neither Schwinn nor Huffy, the two major names in the U.S. industry, currently plans a recumbent, both firms admit they have quietly gone to bike shops and bought models for analysis in their research and development laboratories.

And if the new machines start to make any significant dent in the market, Schwinn, Huffy and, presumably, their major competi tors in Europe and Japan, will pounce into the void, spokesmen for the U.S. firms agreed. Six production recumbents

were on display at the annual competition of the International Human Powered Vehicle Association, a group founded eight years ago to promote advances in bicycle engineering. The members of this new, possibly interim, generation of bikes are noticeably longer and sit far closer to the ground than the conventional vehicle. The recumbent, with two wheels or three, is so low that safety in traffic will rely on flags or even strobe lights attached at

the eye level of motorists. The recumbent riding position requires the use of somewhat difregular bike. A long-time bike rider piloting several of the new vehicles for the first time feels the experience primarily as a tighten-

The new recumbents are no better at climbing hills, by most accounts, but once a rider gets used to them, they are described almost universally as more com-fortable than existing bicycles and easier to accelerate and keep at cruising speed in traffic.

Allan Anbott, organizer of a recent "practical vehicle" compe-tition, said he isn't so sure that what is happening now is more than novelty fascination.

"It's going to be difficult for any of these machines to overtake the standard bicycle," Abbott "The bike has been developed over 70 years and you are not going to suddenly replace it. It would be like trying to replace the piston engine. I expect that what we'll see on the street 10 years from now will still be conventional bicycles, mostly. If there is a future in recumbent bikes. I think it'll be in the twowheelers. The tricycles are just too dangerous in traffic."



Royal Family (cont.)

Britain's royal family seems unable to keep out of the news. Diana, Princess of Wales and Prince Charles had their first royal fight, several newspapers said. Diana allegedly "blew her top" over stay-ing at Queen Elizabeth's private Scottish estate, Balmoral, and insisted on going home. Diana grew "bored to tears" after days of incessant rain, several accounts said. She and Charles "had a heated row," one newspaper said." All Buckingham Palace would say was that Charles and Diana, with their 4-month-old son, Prince William, returned to their London home Sunday. Princess Anne drew the wrath of anti-apartheid campaigners and some opposition politi-cians with her plan for a brief stopover in South Africa. Buckingham Palace said that Anne's 60-minute Johannesburg call had been ar-ranged with "Foreign Office advice." The Foreign Office said too much was being made of very little. Anne, chairman of the Save the Children Fund, is to tour southern Africa on the fund's behalf. In Johannesburg, palace spokesmen said, Anne asked to meet South African officials of the Save the Children Fund. "Extremely stupid," said Robert Hughes, a Labor mber of Parliament and chairman of the Anti-Apartheid Movement. He said the princess was "playing South Africa's game."
Only the Sun repeated an American report of Prince Andrew's alleged antics during his Caribbean vacation on Mustique. It summa-rized journalist Elizabeth Selamon's account of Andrew, 22, actress Kathleen (Koo) Stark and others removing their bathing suits, or having them removed, at a poolside frolic. Andrew flew back to Britain ahead of schedule last week. Stark went to Florida. Most British newspapers reported Mon-day that Salamon is seeking cus-tomers for her story of the holiday. Nigel Dempster, the Daily Mail gossip columnist, quoted furious members of the prince's party as saying Salomon, a friend of Stark's, had vowed not to reveal what transpired on Mustique. "She went down on her knee and promised that she wouldn't tell anyone, at least not until she was 75," Dempster quoted one friend as saying. "She's grown old rather quickly." Meanwhile Captain quickly." Meanwhile Captain Mark Phillips, quickly recovering from injuries suffered in a fall from his borse, won the intermediate section of a three-day equestri-

to Perth in Western Australia to compete in another equestrian event. Phillips, husband of Princess Anne, suffered a badly bruised right calf when his horse fell

on him. Jackie Onessis attended the opening of China's new Fragrant Hills Hotel, designed by the Chi-ness-American architect LM. Pei who designed the John F. Kenne dy Library in Boston. Onassis is on a private tour and has shunned reporters and photographers. Pei barred foreign reporters from the opening of the hotel. The hotel, with 293 suites and 500 beds, is on the site of a Qing emperor's palace in the western hills outside Beijing! which was once used as a sur resort and for bunting

Massoud Rajavi, an Ira position leader and official of the People's Mujahadin, who lives in exile in France, has married Piroc Bani-Sade, daughter of Ahat Bani-Sade, the feature Iranian president. The carrinony took place in Auvers-sur-Clar, 15 kilometers (9 miles) north of Paris, where Rajavi has lived with Bani-Sadr since July 1981, when he escaped from Iran. On Feb. 8, 1982, Rajavi's wifer Ashraf, was killed in Tehran during an assault by security forces on a house where Mu-jahadin leaders were staying.

An unadvertised soloist at the Israel Philarmonic Occhestra's festive concert marking the 25th anniversary of the Prederic R. Mann Auditorium in Tel Aviv was Frederic R. Mann himself. The Philadelphia businessman and patron of the arts, whose name was given to the orehestra's home and torium, followed Daniel Baren-boim to the plano before an overflow audience of 3,000. He played a Chopin waitz to generous applause. The gala program was conducted by Zubin Mahts, the orches tra's music director, but Yehed Mennion took over the baton to lead the orchestra in Debussy's "Prelude à l'après-midi d'un faune," after having played Chans-son's "Poème" for violin and or-chestra under Mehtu. . . .

Mother Teresa has been awarded an honorary doctorate in medicine by the French-speaking branch of the Catholic University of Louvain. Belgium, for her missionary work in Calcutta.

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